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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

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

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

APPLICATION RECORD
(RETURNABLE FEBRUARY 23, 2012)
VOLUME 1 OF 2

February 22, 2012

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NOTICE OF APPLICATION

TO THE RESPONDENT(S):

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicants. The claim made by the applicant appears on the following pages.

THIS APPLICATION will come on for a hearing on **Thursday, February 23, 2012 at 10 a.m.** or as soon after that time as the matter may be heard at the Court House, 330 University Avenue, Toronto, Ontario.

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IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with the documents in the application, you or an Ontario lawyer acting for you must prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyers must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you and your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LEGAL AID OFFICE.

Date: February 22, 2012

Issued by N Brown

Natasha Brown
Registrar

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APPLICATION

1. **THE APPLICANTS MAKES APPLICATION FOR:**

(a) An order, if necessary, abridging the time for, validating the manner of, and/or dispensing with service of this notice of application and the application record;

(b) an order declaring that the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "CCAA") applies;

(c) an order declaring that the Applicants, as well as each limited partnership in respect of which an Applicant is a general partner, shall enjoy the benefits, protections, and authorizations granted by the Initial Order and subsequent orders made in this proceeding, provided, however, that the following parties and their property shall not, at this time, be subject to CCAA proceedings or any stay or other relief:

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

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

(iii) Cherry Park Retirement Residences Limited Partnership

(iv) Orchard Valley Retirement Residences Limited Partnership

(v) The Shores Retirement Residences Limited Partnership

(vi) The Redwood Retirement Residences Limited Partnership

(vii) 100 Isabella St. (Ottawa) Limited Partnership

(viii) 480 Metcalfe St. (Ottawa) Limited Partnership

(d) an order permitting the Applicants to file a plan or plans of compromise or arrangement;

(e) an order staying all proceedings against the Applicants;

(f) an order appointing Grant Thornton Limited ("GTL") as monitor in the CCAA proceedings;

(g) an order confirming the appointment of G.S. MacLeod & Associates Inc. (the "CRO") as chief restructuring officer of the applicants and excluding liability of the CRO except for gross negligence or wilful misconduct;

(h) an order approving the remuneration of the CRO;

(i) an order authorizing and directing First Leaside Securities Inc. ("Securities"), upon written request, to transfer its client portfolios held by Penson Financial Services Canada Inc. ("Penson") (which portfolios contain cash, bonds, exchange-traded or liquid securities or other investment instruments) to another duly licensed securities dealer or trustee;

(j) an order creating an Administration Charge in the amount of $1 million in respect of the fees of the CRO, the Monitor and its counsel, and counsel for the Applicants which shall rank in priority to all other security, charges, and debts;

(k) an order creating a Directors' and Officers' Charge in the amount of $250,000 and directing that such claims thereunder shall rank in priority to all other security, charges, and debts, subordinate only to the Administration Charge;

(l) an order appointing Fraser Milner Casgrain LLP as representative counsel (the "Representative Counsel") in these proceedings to represent the interests of the clients of First Leaside Group in their capacity as debt holders or security holders (including holders of limited partnership units) of the Applicants and their associated Canadian limited partnerships;

(m) an order authorizing the Representative Counsel to be paid its reasonable fees and disbursements by the Applicants and directing that such fees form part of the Administration Charge;

(n) An order pursuant to the CCAA, substantially in the form of the draft order included in the Application Record; and

(o) Such further and other relief as this Honourable Court deems just.

2. **THE GROUNDS FOR THE APPLICATION ARE:**

(a) The applicant, First Leaside Wealth Management Inc. ("FLWM") is the parent company of a organization of numerous of corporations and limited partnerships (collectively, the "FL Group") which operate numerous businesses including

(i) a wealth management firm;

(ii) a securities dealer regulated by the Investment Industry Regulatory Organization of Canada;

(iii) multiple limited partnerships which own residential rental properties, nursing homes, and real estate developments in Canada and the United States; and

(iv) interests in several miscellaneous businesses, including Alberta accounting firms and a brewery.

(b) The applicants have assets in Canada and carry on business in Canada;

(c) FLWM is insolvent as are numerous members of the FL Group;

(d) The applicants are debtor companies within the meaning of the CCAA. Their head offices are situated in Greater Toronto Area;

(e) The applicants have claims against them in excess $5,000,000;

(f) The circumstances which exist make the order sought by the applicants appropriate;

(g) The making of the order sought by the applicants will facilitate the development and submission of a plan or plans of arrangement or compromise between the applicants and their creditors;

(h) It is urgent that the applicants be granted protection under the CCAA;

(i) The provisions of the CCAA and the equitable jurisdiction of this Honourable Court;

(j) the *Courts of Justice Act*, R.S.O. 1990, c. C-43, as amended;

(k) Rules 3.02 and 14.05 of the *Rules of Civil Procedure*; and

(l) Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED at the hearing of the application:

(a) The affidavit of Greg MacLeod sworn February 22, 2012 and the exhibits thereto;

(b) The Report of Grant Thornton Limited as Proposed Monitor dated February 22, 2012; and

(c) The consent of Grant Thornton Limited to act as Monitor, filed.

Date: February 22, 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 FIRST LEASIDE WEALTH MANAGEMENT INC. et al

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

ONTARIO

SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

NOTICE OF APPLICATION

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(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 "Applicant")

AFFIDAVIT OF GREGORY MACLEOD
(sworn February 22, 2012)

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

1. I am the Chief 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 which are listed in **Exhibit**

16.

"A" hereto (collectively, "**First Leaside**" or the "**Company**"). I have been in the position of CRO since December 6, 2011. 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. This affidavit is sworn in support of the application by FLWM and the other Applicants for relief under the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36, as amended (the "**CCAA**"). The Applicants also seek to have the court extend the benefit of the initial order (including the stay) to various limited partners in respect of which Applicant corporations are the general partners (subject to a "carve out" of certain limited partnerships noted below).

3. Attached hereto as Exhibit "A" is a list of the Applicants, as well as the corresponding non-Applicant limited partnerships to which the Applicants wish to have CCAA protection extended.

I. OVERVIEW

4. First Leaside, through its various affiliated companies, trusts, and limited partnerships ("**LPs**") (including the LPs which are not part of this filing) runs numerous businesses, including commercial and multi-unit residential properties and retirement residences. In general, First Leaside provides investment and wealth management services to more than 1,200 investors who have invested with the Company. First Leaside also provides its investors with estate planning, insurance, accounting, and tax

services. A simplified organizational chart of the main corporations constituting First Leaside (but without details of the LPs) is attached hereto and marked as **Exhibit "B"**.

5. First Leaside's operations are centred on two primary companies: FLWM and its wholly-owned subsidiary, First Leaside Securities Inc. ("**FLSI**").

6. FLSI is an investment dealer under Ontario securities law and is regulated by both the Ontario Securities Commission ("**OSC**") and the Investment Industry Regulatory Organization of Canada ("**IIROC**"). FLSI acts as a "one-stop" investment organization for First Leaside's clients. Clients use FLSI to manage a portfolio of non-proprietary investment products, typically consisting of more conservative investments such as bonds, treasury bills, and marketable securities (the "**Marketable Securities**") as well as proprietary equity (such as LP units) and debt securities issued by First Leaside (proprietary equity and debt securities shall hereafter be collectively referred to as the "**FL Products**").

7. The Marketable Securities and available cash balances are segregated in accounts held with Penson Financial Services Canada Inc. ("**Penson**"). Penson is a member of IIROC and provides back-office brokerage and custody services to a wide range of investment dealers, including FLSI. This proposed CCAA proceeding <u>does not</u> involve any lost or misappropriated client securities. All of the Marketable Securities which are owned by First Leaside clients are indeed held with Penson and, as I will describe in further detail below, First Leaside is prepared to allow clients to immediately transfer their Marketable Securities and cash to another investment dealer despite the

commencement of these proceedings. If clients wish another investment dealer to hold their FL Products in segregation, they are free to do so, as well.

8. The FL Products are intended to provide First Leaside investors with consistent monthly distributions, potential capital appreciation, and, in the case of equity investments, potential tax deductions. With respect to the FL Products, First Leaside generally operates as a real estate syndicate that purchases real estate and rehabilitates it with a view to leasing to tenants at higher rates or reselling the property at a profit. During the early years of real estate developments, clients are able to benefit from tax losses generated by properties and also receive regular tax-free returns of capital.

9. First Leaside's real estate projects are generally set up as LPs for which First Leaside incorporates a special-purpose corporation to act as a general partner ("**GP**"). The GPs of First Leaside's Canadian LPs (i.e., those that own property in Canada) are part of this CCAA filing and the benefits of the initial order are being requested to extend to the corresponding LPs. The LPs which correspond to the relevant GPs are listed in Exhibit "A".

10. The success of the FL Products depends on a robust real estate market. Thus, the recent economic downturn has had a negative impact on the Company's financial situation: First Leaside has realized lower operating income while simultaneously incurring higher operational costs.

11. Due to this turmoil, and other events described below (including action by securities regulators), in early 2011 First Leaside, through its counsel, Cassels Brock &

Blackwell LLP ("**Cassels**"), engaged an independent consultant, Grant Thornton Limited ("**GTL**"), to review its business operations and assess its overall viability. GTL determined that the Company was facing serious cash flow and operational challenges and concluded that First Leaside's future viability depended on a number of key factors and assumptions, including its ability to raise capital.

12. Despite the Company's efforts to implement GTL's recommendations, First Leaside's financial challenges persisted. In particular, during the course of an investigation by the OSC, First Leaside undertook a voluntary, indefinite cease trade of all FL Products (the "**Cease Trade**"), and later suspended all distributions and interest payments on FL Products. Because First Leaside's business model requires ongoing capital raising to fund capital expenditures and operations, the Cease Trade precluded First Leaside from raising equity to de-leverage properties or to fund business operations. FLWM had also previously relied on revenues from agency fees charged in connection with new capital raises, together with other fee revenue relating to new FL Products, to support corporate operations and to provide working capital to support other entities in the group. The Cease Trade effectively stopped these revenues, thereby threatening FLWM's ability to operate as a going concern.

13. In December 2011, through my corporation, G.S. MacLeod & Associates Inc., I was retained by an independent committee of the board of directors of FLWM (the "**Independent Committee**") to review First Leaside's operations and to provide recommendations of how to deal with various financial and regulatory issues that the Company faced. Attached hereto and marked as **Exhibit "C"** is a copy of my retention agreement. After several weeks of careful consideration of the situation, I concluded

that it was unlikely that First Leaside would be in a position to resolve issues with securities regulators and thereby resume the raising of capital in the near future. On that basis, I concluded that the best course of action for First Leaside was to undertake an orderly wind-down of operations. Further, I concluded that—in light of the complex corporate structure of the Company, the complex web of numerous inter-company debts and contractual relationships among the corporations, trusts, and LPs in the First Leaside group, and the fact that many First Leaside clients have debt and/or equity investments in multiple First Leaside entities—the proper way to deal with First Leaside's assets and liabilities was to bring the Company within a court-supervised process so that all stakeholder interests can be dealt with in one forum, in a consolidated manner, and recoveries can be maximized. That forum is this CCAA proceeding.

14. First Leaside and the LPs are the owners of numerous real properties located in Ontario, British Columbia, and Texas. The properties include retirement residences, rental apartments, industrial facilities, development projects and raw land.

15. First Leaside's U.S. properties are not, for the present time, intended to come within court-supervised insolvency proceedings whether under the CCAA or Chapter 11 of the *U.S. Bankruptcy Code* (the "**USBC**"). First Leaside believes that such properties may be able to continue operations over the anticipated wind-up period using the cash flows that they generate and pay their liabilities as they come due, assuming that revenues can be increased and capital costs contained.

II. FIRST LEASIDE'S BUSINESS

General

16. First Leaside was founded in 1989 by David Phillips, an experienced investment advisor and trader who had worked at major brokerage firms. Mr. Phillips wanted to create financial products that were more favourable to investors than those then available in the market.

17. In 1992, Mr. Phillips oversaw the acquisition of First Leaside's first properties, the Wymberly Pointe and Wymberly Crossing apartment complexes in Grand Prairie, Texas (near Dallas), for $10 million, through a real estate syndication.

18. Since that time, First Leaside has acquired and developed numerous other properties in Texas, expanding to properties in Ontario several years ago, and last year to British Columbia. Apart from straightforward investments in rental real estate projects, First Leaside also has a series of other investments, including ownership of several accounting firms in Alberta and an interest in a brewery/cidery in Ontario. First Leaside also has an interest in seven small start-up technology companies.

Corporate Structure – Operating Companies

19. FLWM is the ultimate parent company of First Leaside. Affiliated with FLWM are six wholly-owned subsidiaries that are operating companies, including FLSI, FL Securities Inc. ("**FL Securities**"), First Leaside Finance Inc. ("**FL Finance**"), First Leaside Management Inc. ("**FL Management**"), First Leaside Insurance Inc. ("**FL Insurance**"), and First Leaside Accounting and Tax Services Inc. ("**FL Services**")

(FLWM and its operating subsidiaries shall hereafter be referred to collectively as the "**Operating Companies**").

FLWM

20. Mr. Phillips owns all of FLWM's common shares. FLWM has also issued preferred shares, with 96.7% of such shares being owned by First Leaside investors and the remaining 3.3% by Mr. Phillips. FLWM's preferred shares are in several series and provide dividends at annual rates of 6%, 8%, or 10%, depending on the series.

21. First Leaside generates revenue to cover expenses and pay dividends by charging fees to First Leaside clients, both in connection with the sale of new investment products (such as LP units), and as ongoing asset administration fees (calculated as a percentage of client investment holdings).

22. FLWM also owns a small pool of assets including:

(a) four small accounting firms;

(b) a 33.3% interest in First Leaside Retirement Residences LP;

(c) a 34.9% interest in First Leaside Beverages Limited Partnership, which operates a brewery/cidery;

(d) marketable securities;

(e) note receivables from investors who borrow short term funds to acquire units in various LPs;

(f) an interest in seven start-up technology companies; and

(g) an art collection.

 23.

23. Attached hereto and marked as **Exhibit "D"** is a copy of FLWM's internally-prepared financial statements as at December 31, 2010 for the 12 months ending as of such date.

FLSI

24. FLSI is an investment dealer that is regulated by the OSC and IIROC. It is through FLSI that First Leaside clients invest their money in both the Marketable Securities (held in segregation by Penson) and also the FL Products issued by various First Leaside entities. FLSI is also a member of the Canadian Investor Protection Fund ("**CIPF**"), which provides coverage of up to $1 million per client as a result of securities in client accounts that are lost as a result of the insolvency of a CIPF member. (However, the CIPF does not cover investment losses resulting from the changing value of securities or default by the issuer of securities.)

25. FLSI charges agency fees, business development fees, and acquisition analysis fees for its services. Attached hereto and marked as **Exhibit "E"** are FLSI's unaudited financial statements as at December 31, 2011.

26. Since FLSI became an IIROC dealer, and up to June 30, 2011, it has invested approximately $370 million on behalf of First Leaside clients. Approximately $86 million of funds invested were in publicly-traded securities, including Marketable Securities, which are held by for the benefit of First Leaside clients. Attached hereto and marked as **Exhibit "F"** is a table summarizing the third party marketable securities of First Leaside investors held at Penson as at February 14, 2012.

27. Although First Leaside may be insolvent, its client accounts containing Marketable Securities are all intact and held in segregation by Penson. Clients will therefore suffer no loss of Marketable Securities either now or as a result of the CCAA proceeding. First Leaside specifically requests a term in the CCAA initial order permitting First Leaside clients to immediately transfer the Marketable Securities and cash held with Penson to another investment dealer, thereby allowing clients to sell, trade, or maintain their Marketable Securities despite the CCAA proceeding.

28. With respect to the FL Products, those client investments are also intact in the sense that First Leaside clients do hold legitimate preferred shares, common shares, LP units, notes, and debentures in the various First Leaside entities and First Leaside does have up-to-date records of such client holdings. However, the value of individual FL Products is uncertain at this point in time because of the likelihood of losses in the various FL entities. For example, many First Leaside LPs have an equity deficit because there may be limited or no proceeds left to be paid to unitholders after mortgages and notes are paid.

29. FLSI raises debt through a related entity, First Leaside Wealth Management Fund (a trust), at an interest rate of 7% per annum.. FLSI also raises debt through other entities, such as Special Notes Limited Partnership, and Special U.S. Notes Limited Partnership.

<u>FL Finance</u>

30. Traditionally, various First Leaside LPs and corporations have raised more capital than required for their immediate needs. For example, many LPs sold units to

investors before a specific project was identified or land was purchased, and it was not uncommon for months to pass before a property was acquired. However, since First Leaside promised investors substantial regular distributions (often 6% or 7% per annum) on their LP units or notes, and adequate returns could not be obtained by leaving surplus cash in the bank, the LPs with idle capital required some way to generate income to fund those distributions.

31. Thus, First Leaside facilitated the intercompany financial arrangements, using FL Finance as a conduit to borrow surplus funds from some First Leaside entities, and then lend them to other First Leaside entities that required money (such as to rehabilitate properties). The interest rates paid on these loans were typically in the range of 6% to 7% per annum. All of these inter-company loans which FL Finance has facilitated have been duly recorded in First Leaside's records.

32. FL Finance is not registered under Ontario securities laws because it does not distribute or deal in securities.

33. In addition to its capacity as a "central bank" for First Leaside, from time to time FL Finance also acted as a buyer of client positions in FL Products through FLSI. Prior to the fall of 2011, First Leaside had an informal policy of arranging purchases of otherwise illiquid LP units from investors that wished to exit from their investments. Each unit was initially issued at a price of $1 per unit. As of February 12, 2012, FL Finance held approximately $16.66 million in LP units, based on a price of $1 per unit.

34. Attached hereto and marked as **Exhibit "G"** is a copy of FL Finance's internally-prepared financial statements as at December 31, 2010

26.

FL Securities

35. FL Securities, which is a different corporation than FLSI, is an exempt market dealer ("**EMD**") that is registered with the OSC. FL Securities acts as an asset manager and promoter of real estate assets. For its services, FL Securities charges promotional fees, acquisition analysis fees, property management fees, and advisory fees. Despite its registration as a dealer, FL Securities does not engage in securities trading activities. All securities trading activities within First Leaside are conducted exclusively by FLSI.

FL Management

36. FL Management is the property manager of certain Canadian First Leaside properties. It charges all Canadian properties a services fee equal to 2 to 4% of annual net revenues.

37. FL Management employs one individual who is the senior property manager for Canada and who also has partial responsibility for First Leaside's U.S. property management. The day-to-day management of the U.S. properties is, however, conducted by a third party U.S. firm that reports to FL Management on a weekly and monthly basis.

38. In regard to the retirement residences described below, PrimeTime Living LP manages the day-to-day operations of that portfolio of properties. Finally, for the remaining Canadian properties, including Queenston Manor and Harmony (described below), on-site managers are employed by the entities. Attached hereto and marked as

Exhibit "H" are FL Management's unaudited financial statements as at December 31, 2010.

FL Insurance

39. FL Insurance is licensed as a corporate insurance agency with the Financial Services Commission of Ontario. FL Insurance sells, as agent, a variety of third party insurance policies to First Leaside investors. FL Insurance generates a small amount of commission income annually (approximately $55,000) as a result of its sales of insurance policies.

40. Attached hereto and marked as **Exhibit "I"** are the unaudited financial statements for FL Insurance as at December 31, 2011.

FL Services

41. FL Services provides personal income tax preparation services for Canadian and US investors.

42. Attached hereto and marked as **Exhibit "J"** are the unaudited financial statements for FL Services as at December 31, 2010.

Corporate Structure - LPs

43. First Leaside's investors may invest in the Company's various ventures by purchasing LP units. 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.

44. All types of LPs that First Leaside has formed were structured to provide tax advantages to investors as well as regular distributions (typically consisting of tax-free returns of capital in the early years).

45. Generally, First Leaside forms LPs to raise capital in order to locate and acquire real estate that has not been fully or effectively developed. The LPs typically acquire real estate from a third party in an arm's-length transaction. The costs to identify, acquire, and rehabilitate a property usually generate a loss for the LP in the first few years. The LP's investors realize this loss and offset it against their other income, thereby creating short-term tax benefits.

46. Each year a certain percentage of money invested in an LP is distributed by the LP to investors as a return of capital (and, hopefully, in later years, as income from the property), thereby providing investors with a regular cash flow regardless of the stage of the LP's project. Typically, LPs promised a regular annual return to investors in the range of 6% or 7% per annum.

47. Later on, if an LP acquires rental property that is leased after its rehabilitation, the rental payments produce operating income and cash flow that could be distributed to investors on a regular basis. If a property is sold after it is rehabilitated, investors can realize cash proceeds (and generate capital gains). The proceeds from a sale can be withdrawn from First Leaside or "rolled" into new LPs that are subsequently created.

48. Given the level of fees charged to LPs by FLWM to sell LP units, and identify, purchase, and manage properties, as well as the significant returns of capital to investors by way of distributions, investors in longstanding LPs have likely had the cost

base of their investments "ground down" to minimal amounts. In other words, some investors have already received back all or a substantial portion of their initial invested capital through a combination of return of capital and the tax benefits associated with the LP's losses. As a consequence, the properties are often highly leveraged.

49. There are numerous LPs within First Leaside. Certain LPs and their related holdings are listed below.

a. <u>First Leaside Expansion Limited Partnership ("**FLEX**")</u>

i. FLEX is one of First Leaside's Canadian real estate LPs. Attached hereto and marked as **Exhibit "K"** is an organizational chart for FLEX. Because FLEX owns more than one property, it is one of First Leaside's aggregator LPs.

ii. FLEX owns the following properties and LPs:

- First Leaside Entities LP ("**Entities**"): Entities owns two properties in Uxbridge that are adjacent to the Victoria St. Building (which is detailed below). One property is 1.57 acres and is currently being used as a parking lot for construction workers, while the other is 0.59 acres of land with a small commercial building, and is currently not producing income;

- First Leaside Growth LP ("**Growth**"): Growth owns a fully occupied 70,000 sq. ft. industrial building in Brampton, Ontario. The property has been profitable since 2008 and was projected to remain profitable through 2013. The property has been sold pursuant to an agreement for purchase and sale and the sale is scheduled to close in March 2012;

- Queenston Manor LP ("**Queenston**): Queenston owns a 77-unit retirement living apartment complex in St. Catharines, Ontario. The complex is presently 92% occupied. Rooftop solar panels are currently being installed at the property and once installed are expected to generate $53,000 a year. Before capital expenditures, the property has been profitable since 2008, and was expected to remain profitable through 2013. Queenston has been listed for sale and management is currently considering an offer that has been made on the property;

- First Leaside Unity LP ("**Unity**"): Unity owns 2.74 acres of land in Wheatley, Ontario, that is zoned for a residential townhome complex. Unity has already completed and sold three townhomes. FLEX had planned to develop and sell an additional 16 townhomes over a period of six years beginning in 2012; and

- FLEX had intended to build a four floor, 58,182 sq. ft. office building ("**Victoria St. Building**") for First Leaside on 1.04 acres at 4 Victoria St. in Uxbridge, Ontario. This building would have been the new head office of First Leaside. However, construction of the Victoria St. Building was halted in the fall of 2011 due to a lack of funds following the Cease Trade. As a result of this stoppage, eleven construction liens have been placed against the Victoria St. Building and the property owned by Entities. The total amount of these liens is $3,446,276.29. Additional details of these liens are attached hereto and marked as **Exhibit "L"**.

iii. FLEX raises equity and, in the past, paid a 6% distribution. FLEX has raised debt through the Development Notes LP ("**Development Notes**"), and paid a 7.75% interest rate. FLEX also raised debt through the FLEX Fund, paying a 6% interest rate.

iv. FLEX has also raised $3.45 million which was used to fund a syndicated mortgage on the Bramtree property.

b. Wimberly Apartments LP ("**WALP**")

i. WALP is an Ontario limited partnership which, through a series of Texas limited partnerships, holds a variety of properties in the United States (specifically, Texas). Attached hereto and marked as **Exhibit "M"** is an organizational chart for WALP. WALP owns the assets listed below and, as such, is one of First Leaside's aggregator LPs.

- F.L. Master Texas Ltd. ("**Master Texas**"): Master Texas owns six LPs that each own one apartment complex in the Dallas/Ft. Worth area;

(I) Bluffs of Lakewood: The property is a 233-unit rental apartment building located in Dallas, Texas. The building is currently undergoing a rehabilitation program that is scheduled to be completed later this year. The property is expected to reach 95% occupancy by May 2012. The property is expected to be profitable, before capital expenditures, in 2012 and 2013;

(II) Old Mill Ponde Apartments: The property is a 244-unit rental apartment building located in Arlington, Texas. The building is currently undergoing rehabilitation and is not fully occupied. The property has not been profitable for the last several years;

(III) Preston Racquet Club: The property is a 184-unit condominium complex located in Dallas, Texas. Although the property has not been profitable for the past several years, it is nearing the end of a rehabilitation program and is expected to be profitable in 2012 and 2013 before capital expenditures;

(IV) Shores Apartments: The property is a 236-unit rental apartment building located in Arlington, Texas. The building is currently undergoing a rehabilitation program and is not fully occupied. The property has not been profitable for the last several years;

(V) Wymberly Crossing Apartments: a 212-unit rental apartment building in Grand Prairie, Texas. The property is expected to be profitable, before capital expenditures in 2012 and 2013, once the rehabilitation program is completed and rent is increased; and

(VI) Wymberly Pointe Apartments: The property is a 208-unit rental apartment building located in Grand Prairie, Texas. The property is expected to be profitable, before capital expenditures, in 2012 and 2013, once the rehabilitation program is completed.

- F.L. Master Sherman Ltd. ("**Master Sherman**"): Master Sherman owns four LPs that each own an apartment complex in the Sherman, Texas area;

(I) Country Village Apartments: The property is a 148-unit rental apartment building. This property is also currently undergoing a rehabilitation program that is scheduled to be completed later this year. The property has been profitable since 2008, and is projected to remain profitable through 2013;

(II) Creekview Apartments: The property is a 144-unit rental apartment building. The apartments are currently undergoing a rehabilitation program that is scheduled to be completed later this year. The property has been profitable, before capital expenditures, since 2008, and is expected to increase its profitability through to 2013 due to an expected increase in occupancy, completion of the rehabilitation program, and a series of rent increases;

(III) Parkview Apartments: The property is a 200-unit rental apartment building that is currently undergoing a rehabilitation program. The program is scheduled to be completed later this year. The property has been profitable since 2008, and is expected to remain profitable, before capital expenditures, through 2013; and

(IV) Raintree Apartments: The property is a 144-unit rental apartment building that is currently undergoing a rehabilitation program. The rehabilitation program is scheduled to be completed later this year. The property has been profitable since 2008, and is expected to remain profitable, before capital expenditures, through 2013.

- F.L. Sedona Creek Ltd. ("**Sedona**"): Sedona owns an apartment complex in the Dallas area. There is currently no scheduled rehabilitation program planned, and the occupancy rate is projected to increase through September 2012. Sedona is expected to be profitable in 2012 and 2013.

ii. WALP has raised debt and equity in several different ways. WALP has raised equity and paid a 4% distribution as return on capital. First Leaside Fund raised debt at bearing 9% annual interest for WALP. Additionally, Wimberly Fund I raised debt at an interest rate of 8%, and Wimberly Fund II raised debt at interest rates of 7% and 8%. Debt raised for the Master Sherman-owned properties has been through First Leaside Properties Fund at an interest rate of 9%. Finally, WALP raised $5.3 million through a syndicated mortgage for Sedona and a church property located near Sedona;

c. First Leaside Retirement Residences LP ("**Retirement**")

i. Retirement owns 50.1% of PrimeTime Living LP. PrimeTime Living LP owns several retirement residences and development properties that are listed below. Retirement's 50.1% interest in PrimeTime Living LP is shared amongst multiple First Leaside entities in the following proportions: 16.67% by First Leaside Wealth Management Holdings Inc., 20% by Progressive (defined below), 30% by Universal (defined below), and 33.3% by FLWM.

- Abby Lane Retirement Residence/Whiterock Medical: This project consists of a medical facility that occupies 40,000 sq. ft., and an 80-unit retirement home occupying 20,000 sq. ft. in Surrey, British Columbia. The medical centre and the retirement residence are located on 2.3 acres of land. The property is currently being developed and is expected to be completed in February 2013;

- The Birkhall Retirement Residence: This property is an 83-unit, 80,000 sq. ft. retirement home in Vernon, British Columbia. The residence is situated on 3 acres. The property is currently being developed and is expected to be completed later this year;

- The Heatherwood Retirement Residence: This property is an 87-unit, 40,000 sq. ft. retirement residence in St. Catharines, Ontario. The residence is situated on 1.5 acres of land; and

- St. Catharines Place Retirement Residence: This property is an 87-unit, 40,000 sq. ft. retirement home in St. Catharines, Ontario. The residence is situated on 1.5 acres of land.

d. First Leaside Realty LP & First Leaside Realty II LP (collectively, "**Realty I & II**")

i. Realty I & II own 3,996,160 equity LP units of WALP. Realty I & II raise equity and previously paid a 4.75% distribution. Attached hereto and marked, collectively, as **Exhibit "N"** are the unaudited financial statements for Realty I as at December 31, 2010 and Realty II as at September 30, 2011.

e. First Leaside Acquisitions LP ("**Acquisitions**")

i. Acquisitions owns three assets:

- 143,680 equity LP units of WALP;

- 625,800 equity LP units of FLEX; and

- 278,880 equity LP units of F.L. Spring Valley LP.

ii. Acquisitions raises equity and paid a 9.5% return of capital distribution. Attached hereto and marked as **Exhibit "O"** are the unaudited financial statements for Acquisitions as at December 31, 2010.

f. First Leaside Investors LP ("**Investors**")

i. Investors owns two LPs:

- Harmony Townhome LP ("**Harmony**"): Harmony is a 50-unit townhome complex in Tilbury, Ontario; and
- Mill Street LP ("**Mill St.**"): Mill St. is a 3.74 acre plot of land in Uxbridge, Ontario with a small heritage home.

ii. Investors raises equity and paid a 6% return of capital distribution. There is also a 6% syndicated mortgage on Mill Street. Attached hereto and marked as **Exhibit "P"** are the unaudited financial statements for Investors as at December 31, 2010.

g. First Leaside Progressive LP ("**Progressive**")

i. Progressive owns two assets:

- a 20% ownership interest in Retirement;
- Uxbridge Development LP ("**Cemetery Road**"), 23 acres of land, only four acres of which are developable, in Uxbridge, Ontario.

ii. Progressive raises equity and paid a 6% distribution. There is also a syndicated mortgage on Cemetery Road bearing interest at 6% per annum. Attached hereto and marked as **Exhibit "Q"** are the draft unaudited financial statements for Progressive as at December 31, 2010.

h. First Leaside Universal LP ("**Universal**")

i. Universal owns a 30% interest in Retirement. Universal raises equity and paid a 6% distribution. Attached hereto and marked as **Exhibit "R"** are the draft unaudited financial statements for Universal as at December 31, 2010.

i. F.L. Spring Valley LP ("**Spring Valley**")

i. Spring Valley owns

- 689,608 LP units of WALP;

 35.

- 640,000 trust units in the Wimberly Fund; and
- a shopping mall in the greater Dallas, Texas area.

ii. Spring Valley raises equity and paid an 8% return of capital distribution. Attached hereto and marked as **Exhibit "S"** are the unaudited financial statements for Spring Valley as at December 31, 2010.

j. FLWM Holdings LP ("**FLWM Holdings**")

i. FLWM Holdings owns a 16.67% ownership interest in Retirement and a 10.91% ownership interest in Beverages (defined below). Although equity has been raised, no distributions are paid.

k. First Leaside Global LP ("**Global**")

i. Global does not have any assets, other than an account receivable from FL Finance. Global raises equity and paid a 7% distribution.

ii. Global had previously entered into an agreement of purchase and sale to purchase property in Florida. However, the sale failed to close as a result of funding issues arising as a result of the Cease Trade. Global is currently pursuing legal action in the U.S. to recover its deposit.

l. First Leaside Venture LP ("**Ventures**")

- Ventures owns a 50% interest in the Birkhall Retirement Residence, in addition to the assets listed below.
- 180 Isabella Street (Ottawa) LP: This LP owns The Palisades Club, a 54-unit retirement condominium in Ottawa, Ontario. The residence is situated on 0.49 acres of land;
- 480 Metcalfe Street (Ottawa) LP: This LP owns The Palisades Retirement Residence, a 100-unit retirement residence in Ottawa, Ontario. The residence is situated on 0.68 acres of land;
- The Redwoods Retirement Residence (Ottawa) ("**Redwoods**"): Ventures purchased this property on August 26, 2011, from KingSett Real Estate Growth LP No. 2, along with the Palisades Retirement Residence, for aggregate consideration of $65 million and, as part of the purchase price, Ventures assumed an $40 million mortgage in favour of CIBC;

- Cherry Park Retirement Residence: This property is a 64-unit 61,288 sq. ft. retirement residence that is located in Okanagan, British Columbia. The residence is situated on 0.68 acres of land;

- Orchard Valley Retirement Residence: This property is a 66-unit, 66,597 sq. ft. retirement residence located in Okanagan, British Columbia. The residence is situated on 0.64 acres of land; and

- Shores Retirement Residence: This property is a 66-unit 66,580 sq ft retirement home in Kamloops, British Columbia. The residence is situated on 1.4 acres of land, and has land that has not yet been developed.

ii. Ventures raises equity and paid a 7% distribution.

iii. Attached hereto and marked as **Exhibit "T"** are the unaudited financial statements for Ventures as of July 31, 2011.

m. <u>First Leaside Visions I and First Leaside Visions II LP ("**Visions I & II**")</u>

i. Visions I & II owns seven start-up technology companies in Ontario. Visions I & II was established to take advantage of Ontario Commercialization Investment Fund grants, which constitute up to 30% of the investment. Visions I & II do not pay any distributions. Attached hereto and marked, collectively, as **Exhibit "U"** are the unaudited financial statements for Visions I & II as at December 31, 2011.

n. <u>First Leaside Mortgage Fund ("**Mortgage Fund**")</u>

i. Mortgage Fund holds a $5.3 million syndicated mortgage on Sedona and the Sherman church property in the WALP portfolio. Attached hereto and marked as **Exhibit "V"** are the unaudited financial statements for Mortgage Fund as at June 30, 2011.

o. <u>First Leaside Beverages LP ("**Beverages**")</u>

i. Beverages owns a majority interest in a brewery and cidery and the land and building upon which the cidery is situated. Since Beverages holds a minority portfolio interest in the brewery and cidery, Beverages is not applying for CCAA protection.

ii. Beverages is owned 10.9% by FLWM Holdings, 8.3% by Progressive, and 34.9% by FLWM. The remaining 45.9% of Beverages is held by third party investors.

iii. First Leaside is presently in discussions to sell is collective 54.1% interest in Beverages. If such sale is completed, FLWM Holdings, Progressive, and FLWM will be able to receive proceeds which can then be used to pay creditors in accordance with their priority.

The Blind Pools

50. Although most of First Leaside's LPs hold interests in identifiable properties, there are a small number of LPs where clients provided investment funds without knowing where funds were likely to be invested. Each of these LPs is known as a "blind pool" (a **"Blind Pool LP"**). Some of the funds that the Blind Pool LPs have raised have been lent to FL Finance and then re-lent to WALP to fund its rehabilitation projects and operating losses. The Blind Pool LPs were largely tax-driven investments designed to provide investors with tax savings.

51. Details of the Blind Pool LPs existing at the time of the Cease Trade are as follows:

a. First Leaside Select LP ("**Select**")

i. Select does not have any assets, other than amounts due from FL Finance. The majority of the funds it has raised have been lent to FL Finance. Select paid a 7% distribution. Attached hereto and marked as **Exhibit "W"** are the unaudited financial statements for Select as at December 31, 2010.

b. First Leaside Elite LP ("**Elite**")

i. Elite is a Blind Pool LP and does not have any assets, other than an account receivable from FL Finance. The majority of the funds that Equity has raised have been lent to FL Finance. Elite paid a 7% distribution. Attached hereto and marked as **Exhibit "X"** are the unaudited financial statements for Elite as of December 31, 2011.

c. First Leaside Premier LP ("**Premier**")

i. Premier is a Blind Pool LP and does not have any assets, other than an account receivable from FL Finance. The majority of the funds that Premier has raised have been lent to FL Finance. Premier paid a 7% distribution. Attached hereto and marked as **Exhibit "Y"** are the unaudited financial statements for Premier as at December 31, 2010.

d. First Leaside Ultimate LP ("**Ultimate**")

i. Ultimate is a Blind Pool LP and does not have any assets, other than an account receivable from FL Finance. The majority of the funds that Ultimate has raised have been lent to FL Finance. Ultimate paid a 7% distribution. Attached hereto and marked as **Exhibit "Z"** are the unaudited financial statements for Ultimate as at December 31, 2010.

Corporate Structure - Funds

52. A number of investors have invested in units of First Leaside trusts (the "**Funds**"). The Funds were created to generate interest income for investors from the properties already owned within First Leaside through an investment that was eligible for tax deferred plans such as RRSPs. The Funds created access to capital for other First Leaside entities that could be used to fund operations and rehabilitation programs and make additional property acquisitions. Capital raised by selling units of the Funds was, in turn, invested by the Funds in unsecured promissory notes issued by other First Leaside entities that already owned property. By lending to other First Leaside entities at specified rates of interest, the Funds aimed to earn steady income that could be distributed to investors. However, as with any First Leaside entity that made inter-company loans, the Funds bear the risk that such loans will never be repaid.

53. Since the Funds are trusts, and not corporations, they do not form part of the proposed CCAA filing. It is intended that the Funds will remain inactive, except to assert their rights as a creditor of other First Leaside entities.

EVENTS LEADING TO THE CCAA FILING

54. The OSC began investigating First Leaside in the fall of 2009 and the investigation continues to date.

55. First Leaside cooperated with the OSC throughout the investigation and endeavoured to respond to each and every one of the OSC's inquiries. In total, First Leaside provided the OSC with hundreds of binders of information including offering memoranda, subscription agreements, client documents, client account statements, and First Leaside financial records. Mr. Phillips was also examined under oath by the OSC.

56. In connection with this OSC investigation, on March 5, 2011, First Leaside, through its counsel, Cassels, retained GTL as a consultant to review, report, and make recommendations about First Leaside's business, assets, affairs, and operations. GTL is a leading Canadian accounting and business advisory firm that provides audit, tax, and advisory services to private and public organizations.

57. Shortly prior to retaining GTL, First Leaside voluntarily arranged for appraisals of its various properties to be obtained in order to assess the value of the assets held in its various entities. GTL later used such appraisals for the purpose of its analysis.

58. From March to August 2011, GTL met with First Leaside personnel to analyze the business and prepare a report. On August 19, 2011, GTL released a detailed report on First Leaside's operations ("**GTL Report**"). A copy of the GTL Report is attached hereto and marked as **Exhibit "AA"**.

59. The GTL Report disclosed that, as at August 19, 2011, the fair market value ("**FMV**") of First Leaside's real property based, in part, on the third party appraisals of the real property holdings obtained by First Leaside was worth more than the third party mortgages on the respective properties.

60. However, the GTL Report identified numerous issues that threatened First Leaside's future viability and which continue to exist today.

61. After the GTL Report was released, First Leaside took steps to implement the GTL Report's recommendations. It hired four additional employees to improve its accounting resources and financial reporting.

62. On November 3, 2011, First Leaside's board of directors also took steps to strengthen its corporate governance by appointing the Independent Committee to assume all decision-making authority in respect of First Leaside and oversee the Company's operations. As such, since that time, Mr. Phillips has no longer been in charge of the management of First Leaside.

63. The Independent Committee is composed of the following individuals, all of whom have significant business skills and experience:

(a) Leo de Bever: Chief Executive Officer and Chief Investment Officer of Alberta Investment Management Corp. (an Alberta Crown corporation that manages pension, endowment, and other government funds);

(b) Douglas Hyatt: Professor of Business Economics, Rotman School of Management, University of Toronto;

(c) John Cook: President of Tormin Resources Limited and Anton Resources

Corporation, Chairman of Premier Gold Mines Limited, and a director of several mining companies; and

(d) Robert Gauld: a chartered accountant and former controller of A. Schulman Canada Ltd.

Regulatory Issues

64. The GTL Report was provided to the OSC and IIROC immediately upon release. In late October 2011, in response to the GTL Report and other information received from First Leaside, the OSC informed First Leaside that, if satisfactory arrangements were not made to deal with First Leaside's situation, they were almost certainly going to take regulatory action including seeking a cease trade. At the same time, IIROC notified FLSI by letter dated October 28, 2011, that it had been designated as being in discretionary early warning level 2 as a result of the pending regulatory action. In this letter, IIROC advised that, pursuant to its Rules, FLSI was prohibited from

(a) reducing that firm's capital;

(b) repaying subordinated indebtedness without IIROC approval;

(c) making bonus, loan, or capital payments to any director, officer, or affiliate of FLSI; and

(d) reducing the "non-allowable assets" of FLSI.

65. Attached hereto and marked as **Exhibit "BB"** is the October 28, 2011 letter from IIROC to David Phillips on behalf of FLSI.

66. First Leaside advised IIROC and the OSC that it was prepared to put in place appropriate interim protective measures, but with the hope that business affairs could

be restructured within several months. For example, First Leaside agreed to a voluntary Cease Trade, which was implemented on October 31, 2011. Approximately a week later, First Leaside agreed with the OSC that as part of the Cease Trade, the Company would send a letter to its investors in a form approved by both the OSC and IIROC along with a copy of the GTL Report, and to post the letter to investors and the GTL Report on First Leaside's website. This letter to investors (attached as **Exhibit "CC"**) was ultimately sent on November 7, 2011, and provided frank disclosure about the GTL Report, the OSC investigation, and the concerns about First Leaside's viability.

67. On November 4, 2011, First Leaside retained GTL as an independent monitor to, in part, satisfy the OSC and IIROC that the Company was implementing a restructuring plan and establishing rigid reporting requirements. GTL has been providing, and continues to provide, the OSC and IIROC with regular ongoing reports about First Leaside's financial affairs.

68. In mid-November 2011, the Independent Committee engaged a third party financial consultant to conduct a detailed review of the financial state of all material First Leaside entities with a view to creating a restructuring plan pursuant to which First Leaside could emerge from the Cease Trade.

69. First Leaside also recognized at that time that, in order to restructure, it would need to conserve as much cash as possible, especially given its inability to raise further capital (because of the Cease Trade). As such, the Independent Committee decided to cease all distributions to clients indefinitely, including:

(a) distributions to LP unitholders;

(b) interest payments on client notes/debt (including the corresponding distributions made by Funds that hold promissory notes issued by other First Leaside entities); and

(c) dividends on common or preferred shares.

70. On November 28, 2011, First Leaside sent a letter to investors (attached as **Exhibit "DD"**) providing notice of the suspension of distributions. There have been no distributions since that date.

71. In early December 2011, with the input and approval of the OSC, the Independent Committee caused First Leaside to retain my corporation as CRO. The Independent Committee asked me to develop a workout plan for First Leaside. The workout plan was finalized in late January 2012. The goal of the workout plan, which is described below, is to maximize recoveries for First Leaside's stakeholders.

72. Through December 2011 and into January 2012, I considered plans to move forward with the operations of First Leaside as well as plans to wind-up all or parts of the business. I was cognizant of the limited cash reserves available within First Leaside under the Cease Trade and the projected time over which those reserves would be exhausted. In that context, I took careful note of the risks and uncertainties associated with the go-forward proposals given the significant risk of exhausting the cash reserves before completing a successful exit from the Cease Trade. 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.

73. It is my recommendation to the Independent Committee that an orderly wind-down presents the best opportunity to maximize the recovery by investors.

74. I presented my recommendations to the Independent Committee and it approved my recommendation that First Leaside's affairs be wound down.

75. As I will describe further below, the 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.

76. Since last fall, First Leaside has provided other updates to investors. For example, on February 8, 2012, after the decision to wind down operations was made, First Leaside issued an update regarding the outcome of my review of restructuring options (attached as **Exhibit "EE"**). Then, on February 9 and 13, 2012, I held conference calls with investors so that I could answer any questions that the investors had regarding First Leaside's financial position and anticipated CCAA proceeding.

III. FIRST LEASIDE'S FINANCIAL SITUATION

77. First Leaside has over $370 million in assets under management, which includes both Marketable Securities and FL Products. As I have described above, the Marketable Securities are all intact and held by Penson. First Leaside clients will be able to transfer Marketable Securities and cash to another investment dealer during the CCAA process.

78. With respect to the FL Products, 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.

79. First Leaside is currently indebted to its secured creditors in the approximate amount of $176 million, and to its unsecured creditors (including investors holding notes or other debt instruments) in the approximate amount of $131.8 million.

80. However, since 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.

81. Since equity holders are expected to receive some return, that means that, in many First Leaside entities, both third party long term debt (mortgages) and investor debt (notes) will also be paid in full.

82. First Leaside's primary stakeholders include mortgagees, unsecured debt holders, equity investors, and employees, all of which are discussed below.

83. A summary of the title searches for each of the Ontario properties, generally current to February 16, 2012, are attached to my affidavit as **Exhibit "FF"**.

Secured Debt

84. First Leaside has secured debt financing from banks, and unsecured debt from related party entities and investors. Attached hereto and marked as **Exhibit "GG"** is a list of First Leaside's mortgages, including the amount of the mortgage, the property it relates to, and the mortgagee. This document contains information to the extent that it is available. The appraised value contained in the chart is based on appraisals obtained for the purposes of the GTL Report.

85. First Leaside's primary secured creditors are banks and investors in syndicated mortgages (collectively "**Mortgages**") that provided First Leaside with funding to acquire and service the properties.

86. First Leaside currently has approximately a total of approximately $175 million in Mortgages. The Mortgages relate to seven First Leaside LPs: FLEX, WALP, Investors, Ventures, Spring Valley, Progressive, Retirement, and Beverages. However, since First Leaside only has a portfolio investment interest in Beverages, and Beverages is not one of the entities in respect of which CCAA protection is sought, the debts of that entity are not discussed below.

87. FLEX has $7.12 million in secured debt and owns four properties, two of which are subject to Mortgages. Queenston Manor has a $3.67 million mortgage with Midland Loan Services, and Growth has a $3.45 million mortgage with Peoples Trust Company Canada.

88. WALP has $53.73 million in secured debt. Most of WALP's bank mortgages are held by Wells Fargo or Keybank except for:

(a) the mortgage on the Shores property, which is held by Midland Loan Services; and

(b) the mortgage on the Sedona property.

89. The Sedona property was mortgaged using a syndicate of non-accredited investors through Mortgage Fund. As a result of the mortgages, no WALP properties are held free and clear of encumbrances.

90. Ventures has $75.5 million in secured debt. Approximately $17.78 million of that debt is held by the Toronto-Dominion Bank (**"TD"**) on three separate properties. Additionally, there are two mortgages on each of two Ottawa properties held by Ventures: $30.04 million in mortgages held by Canadian Imperial Bank of Commerce (**"CIBC"**) and KingSett Capital on the Redwoods property, and $27.18 million in mortgages held by the same two financial institutions on The Palisades Retirement Residences property. Ventures also has a $515,000 syndicated mortgage on the Vernon property. The mortgages were raised through Mortgage Fund.

91. Retirement also has $33.9 million in Mortgages. Retirement's Whiterock property is subject to a $5.4 million mortgage held by Fisgard Capital Corporation. The

Heatherwood property is also mortgaged: $25.5 million in favour of First Ontario Credit Union, and $3 million in favour of Henry E. Hildebrand and Grace Hildebrand.

92. Investors is subject to $2.13 million in Mortgages on two properties. The Harmony property is subject to a $1.23 million mortgage with TD Bank. The Mill St. property has a $900,000 mortgage with Peoples Trust Company Canada.

93. Progressive has a $1.65 million mortgage with Peoples Trust Company Canada on the Cemetery Road development.

94. Spring Valley has a $910,827 mortgage that is held by Wells Fargo.

95. Finally, FL Services has a $831,664.87 secured loan with TD.

Construction Liens

96. As noted above, there are also eleven construction liens filed against four First Leaside entities including FLEX and First Leaside Realty II Inc., and the Victoria St. Building and the Entities' owned property. The total amount of these construction liens is $3,446,276.29. However, one of the liens, in the amount of $13,034, is filed only against one of the Entities' properties, and not against either the Victoria St. Building or the other Entities' property.

Unsecured Creditors

97. The total amount of unsecured creditor debt is $131.8 million. This unsecured debt is owed by FLWM, FLEX, WALP, Investors, Progressive, and Mortgage Fund.

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98. FLWM has $18.3 million in investor debt that has been raised through the FLWM Fund, Special Notes Limited Partnership, and Special U.S. Notes Limited Partnership.

99. FLEX has $16.4 million in investor debt that it raised through Development Notes and FLEX Fund. The debt raised through the Development Notes pays an interest rate of 7.75%, and the FLEX Fund debt pays an interest rate of 6%.

100. FL Finance has borrowed $27.9 million from within First Leaside and lent $10.2 million to other LPs. Further, FL Finance has acquired $16.66 million in LP units through investor redemptions at a rate of $1 per LP unit.

101. WALP has raised $68.2 million in debt from First Leaside investors. WALP raises debt at the Master Texas, Master Sherman, and Sedona levels through the First Leaside Fund, First Leaside Properties Fund, and Wimberly Fund. Master Texas has a total of $53.8 million in investor debt: $43.3 million through First Leaside Fund and $10.5 million through Wimberly Fund. Master Sherman has a total of $14.37 million investor debt raised solely through First Leaside Properties Fund. Master Sherman has also issued a $500,000 promissory note.

Equity Investors

102. First Leaside has raised approximately $199.2 million in equity to date through the sale of LP units and common and preferred shares. Set out below is a breakdown of the investor equity investments (based on the purchase price of the equity, but excluding the effect of losses and distributions of capital in the LPs) per First Leaside entity:

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(a) FLWM – $30.6 million;

(b) FLEX – $37.8 million;

(c) WALP – $45.3 million;

(d) Realty I & II – $4.5 million;

(e) Acquisitions – $1.8 million;

(f) Investors – $6.7 million;

(g) Progressive – $14.9 million;

(h) Universal – $5.8 million

(i) Ventures – $14.4 million

(j) FLWM Holdings – $3 million

(k) Spring Valley – $2.2 million

(l) Select – $3.6 million

(m) Elite – $6.7 million

(n) Global – $9.2 million

(o) Premier – $5.6 million

(p) Ultimate – $3 million

(q) Visions I & II – $4.2 million

(r) Mortgages - $11.6 million

103. Equity structures vary from one First Leaside entity to another. FLWM, for example, has three series of preferred shares that pay dividends at differing rates.

FLWM also issues common shares. In contrast, FLEX has only one form of equity ownership.

Employees

104. Up until the fall of 2011, First Leaside had approximately 50 employees. However, due to downsizing over the last several months and the decision to wind down operations, approximately 30 employees have been temporarily laid off or terminated. Currently, First Leaside employs 19 salaried employees. First Leaside expects to reduce its workforce to approximately 11 people by month end.

105. First Leaside's current monthly payroll obligation, including CPP and EI contributions, is approximately $70,650. Payroll is due semi-monthly.

106. First Leaside will take steps to ensure that it has only the bare minimum of employees necessary to provide information and to support a restructuring process. In particular, during the CCAA process, it is likely that staffing levels will be reduced further, especially as properties are sold.

IV. FIRST LEASIDE'S FINANCIAL TROUBLES

107. First Leaside's success in developing and rehabilitating real property is predicated on achieving certain levels of rental revenues and not exceeding certain cost thresholds. Unfortunately, due to the recent recession and its negative impact on the real estate markets in Ontario, British Columbia, and Texas, it has become difficult to achieve First Leaside's estimated rental revenues. Additionally, the capital rehabilitation costs have been higher than forecasted.

52.

108. Moreover, the Cease Trade that First Leaside implemented placed severe financial constraints on the Company. Almost every First Leaside business unit depended on the ability of FLWM and its subsidiaries to raise capital from investors. Additionally, FLWM depended on a primary revenue stream of brokerage and other fees from or in connection with new capital and other services provided by First Leaside entities. In turn, the various LP investments in real estate and commercial enterprises relied on ready access to new capital from investors as well as regular operating cash flow from FLWM. The inability to access the capital market had a significant negative effect on the Company.

109. As noted above, First Leaside's inability to raise capital had detrimental effects on almost all of its business units. For example, First Leaside made a series of investments in R&D technology start-up businesses that are owned by Visions I & II. These businesses depended on FLWM's ability to raise working capital. Since the Cease Trade, although one of the businesses has located a third party financing commitment through the next operating cycle, the others are facing a cessation of operations.

110. There are also immediate cash flow crises at FLWM and virtually every LP. An analysis of the current net asset value in FLWM and almost every LP indicates a substantial loss of investor value.

111. FLWM's financial position has decreased substantially since November 2011 when the Cease Trade was implemented. FLWM's cash reserves have fallen from $2.8 million to $1.6 million at the end of January 2012. Absent new cash from asset

disposals, current reserves will be exhausted in April. There are no recurring revenue streams from asset management at present. However, FLWM maintains its $2.0 regulatory capital in FLSI.

112. On December 31, 2011, Ventures defaulted by failing to make a principal mortgage payment of $4.25 million which was owing to KingSett. KingSett has issued a default notice and such default has also caused a default in respect of indebtedness owing to CIBC in respect of the same properties.

113. Investors' Harmony property does not generate sufficient net operating income to service its mortgage. Absent cash flow from FLWM, a default is imminent.

114. In addition to the problems flowing from the recession and other factors set out above, First Leaside has also faced regulatory actions that have proved costly.

115. The two year OSC investigation of First Leaside cost the Company substantial amounts in terms of out of pocket expenses in addition to the internal resources of First Leaside which were diverted away from normal operations. The result of the investigation was an agreement by First Leaside to implement the Cease Trade. The Cease Trade resulted in lost agency and business development fees for FLWM.

116. The cumulative effect of the events described above have left First Leaside with a number of properties at various stages of development, but without liquidity or refinancing options to rehabilitate the properties and execute its business plan.

117. Despite these defaults (including the failure to pay for construction work and the resulting construction liens), First Leaside has generally been able to make regular

mortgage payments to its creditors. While the majority of the properties have generated sufficient revenue to carry the corresponding mortgage, given the cash constraints on the Company, it will be difficult for First Leaside entities to make mortgage payments in the near future, especially given the need to expend monies on property development and upgrading activities which are necessary to realize proper value when properties are sold. Although First Leaside has generally been making monthly payments of principal and interest on mortgages when due, it will not be able to do so in the future, given its cash constraints.

V. THE PROPOSED PLAN

Introduction

118. As CRO, I have determined that there is no viable plan to continue First Leaside as a going concern in light of the risks related to the go-forward strategies that I have considered and the limited cash reserves for pursuing those strategies. The largest net debtors are FLWM, WALP, Ventures, and FLEX. These entities are unable to repay their inter-company balances from operating cash flows, thereby affecting investor interests in other entities. There is also insufficient net asset value in these entities to settle the intercompany balances through the immediate liquidation of assets.

119. Thus, the intended plan, which has been approved by the Independent Committee, is to effectuate an orderly wind-down of First Leaside's operations over a period of time and in a manner that will create the opportunity to realize improved net asset value.

120. First Leaside will, in an organized fashion, divest itself of assets, including the accounting firms it owns in Alberta and British Columbia and FLWM's artwork portfolio. First Leaside will also negotiate the sale of the majority interest in Beverages and PrimeTime. This sale is expected to provide working capital to FLWM.

121. Second, as I have noted above, First Leaside clients hold substantial Marketable Securities through FLSI which are in segregation at Penson. Since FLSI will wind down operations, there is no need for clients to continue to hold the Marketable Securities or available cash balances at Penson. Accordingly, as part of the CCAA order being sought, FLSI wishes to allow clients to transfer the Marketable Securities and cash to another investment dealer. FLSI will cooperate in this process. First Leaside is also content to have certificates or other documents at Penson which evidence FL Products to be delivered to a new investment dealer.

122. FLSI also holds approximately $2.0 million in regulatory capital consisting of $1,741,000 of risk adjusted capital plus $250,000 in minimum capital. First Leaside has been in discussions with IIROC concerning the uses to which the regulatory capital can be put, especially after the Marketable Securities are transferred to new investment dealers. First Leaside has agreed to address IIROC concerns by restricting the extent of the application of the proposed Directors' and Officers' Charge to FLSI assets.

Other Possible Asset Sales

123. Queenston Manor has been listed for sale, and First Leaside's management is currently considering an offer that has been made on the property. The sale may

generate approximately $2 million in net proceeds. To the extent that a binding offer of purchase and sale is signed, First Leaside will bring a further motion for sale approval.

124. Further, the Company intends to sell FLWM's ownership interest in PrimeTime Living LP, with the approval of Progressive, FLWM Holdings, and Universal; and FLWM's interest in Beverages, with the approval of FLWM, Progressive, FLWM Holdings, and FL Beverages Group LP. The Applicants will seek court approval of such transactions.

Refinancing of Ventures

125. Many of the properties that Ventures owns were acquired in the summer of 2011. For example, on August 26, 2011, First Leaside completed the purchase of Redwoods and Palisades from KingSett Real Estate Growth LP No. 2 for $65 million, part of which purchase price was satisfied through the assumption of an existing CIBC mortgage. KingSett also holds a second mortgage on the properties.

126. On September 8, 2011, First Leaside purchased The Shores, Cherry Park, and Orchard Valley (retirement residences in British Columbia) for the aggregate amount of $25.4 million, $19.4 million of which was financed by a mortgage from TD.

127. At the time of these purchases, First Leaside had always intended to de-leverage the properties through several means. First, First Leaside had intended to sell further LP units to raise approximately $25 million in additional capital. Those funds could be used to complete development work on some of the properties and also reduce the mortgage debt. First Leaside had also planned to sell a number of condominium units

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in these developments to generate additional proceeds. The Cease Trade interrupted this process. Because Ventures has not been able to raise more capital, the KingSett mortgage defaulted (regarding payment of principal) and there are issues of unpaid contractors on some of Ventures properties in British Columbia.

128. Given the Cease Trade, Ventures has been attempting to raise new capital from other sources, under the supervision of the OSC. On February 15, 2012, Ventures and Bridge Gap Konsult Inc. (**"Bridge Gap"**), a German firm, signed a non-binding term sheet to sell further LP units and also obtain bridge financing for Ventures. The transactions contemplated by the term sheet are subject to court approval in this CCAA process as well as consent of the OSC under the Cease Trade. Attached hereto and marked as **Exhibit "HH"** is a copy of the Ventures-Bridge Gap term sheet (the **"Ventures Term Sheet"**).

129. The Ventures Term Sheet contemplates that Bridge Gap will:

(a) in the near future provide a short-term bridge loan of $10 million which will be used as follows:

(i) approximately $4,500,000 will be used to pay down the principal amount of the KingSett mortgages over Ventures' property;

(ii) approximately $5,000,000 will be used to fund working capital and contractor costs; and

(iii) $500,000 will be used for financing fees; and

(b) subsequently make a $25,000,000 investment in Ventures (the **"Bridge Gap Equity Investment"**) by way of LP units.

130. Now that the Ventures Term Sheet has been signed, First Leaside intends to negotiate with Bridge Gap so that a definitive bridge loan agreement can be prepared and signed.

131. The Bridge Gap Equity Investment will likely take further time to conclude, because Bridge Gap needs to obtain funding from investment vehicles in Germany and is first required to obtain approval of German financial regulators.

132. The bridge loan (as subordinate debt) and the Bridge Gap Equity Investment (as equity) are intended to be subordinate to the existing mortgages, including those of CIBC, TD, and KingSett.

133. On February 21, 2012, I (along with other First Leaside representatives, including the proposed Monitor) held meetings with representatives of CIBC, TD, KingSett, and Laurentian Bank and their counsel to discuss the proposed CCAA filing. At the meetings, those creditors expressed concerns about the proposed CCAA proceedings, especially the fact that the proposed Administrative Charge and Directors' and Officers' Charge (collectively, the **"Charges"**) would take priority over those lenders' mortgages. Concerns were also expressed about whether the transactions contemplated by the Ventures Term Sheet would be completed.

134. Following the meeting, First Leaside considered the lenders' objections and received input from the Independent Committee. As such, First Leaside made the decision that the following limited partnerships would not, at this initial stage, be brought within the scope of the CCAA initial order (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) The Redwood Retirement Residences Limited Partnership

(g) 100 Isabella St. (Ottawa) Limited Partnership and

(h) 480 Metcalfe St. (Ottawa) Limited Partnership

135. First Leaside has reserved its right to later bring a motion to extend the CCAA initial order and stay to the Excluded LPs and thereby bring them into the CCAA process.

136. For the near term, however, First Leaside intends to introduce Bridge Gap to these lenders so that the lenders can assess the viability of the transactions contemplated by the Ventures Term Sheet. First Leaside also intends to discuss other options for the property of the Excluded LPs in the event that the Bridge Gap equity investment and bridge loan are not put in place.

WALP

137. The WALP properties have, in the past, needed cash for ongoing renovations. However, after considering matters in depth, First Leaside has determined that it does not need to immediately seek bankruptcy protection for the U.S. LPs under the USBC.

138. First Leaside intends to undertake several short term steps, described below, to improve the financial viability of the LPs which WALP owns, so that they can be self-supporting until the completion of a realization strategy. First, I am closely monitoring WALP's aggressive strategy to increase occupancy of the U.S. properties by the second quarter of 2012, so that revenues will increase.

139. Second, a number of the U.S. properties—including Pointe, Crossing, and Sedona—are currently listed for sale. If necessary, the proceeds received from the sale of a handful of U.S. properties can be used to fund completion of the other U.S. properties. Expressions of interest have been received from 48 potential purchasers. First Leaside has also received a number of offers, which we are currently considering.

140. Third, I have taken steps to conserve the amount of cash in the U.S. properties by deferring capital improvements where feasible.

141. Assuming that increased rental revenues and decreased capital spending can be achieved, I have forecast that the U.S. properties will be self-sustaining in 2012, even without selling any properties.

142. The cash-on-hand in the U.S. properties is largely held at the level of the individual properties (i.e., the Texas LPs), not at the level of WALP. Thus, although the general partner of WALP is one of the parties seeking CCAA protection, the U.S. LPs intend to continue to operate (i.e., paying their mortgages and ongoing expenses) in the normal course despite any CCAA order.

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143. In the event that the above-noted measures are not sufficient to maintain the U.S. properties in an adequate financial state, First Leaside may need to consider seeking protection from creditors under the USBC. It may also be necessary to seek such relief in the event that mortgagees on the U.S. properties declare defaults or attempt to enforce their security by reason of cross-defaults caused by the CCAA proceedings.

144. As part of the wind-down, the long-term plan is eventually to sell all of the U.S. properties. However, given the need to conduct capital improvements on some of them as well as the currently weak real estate market in Texas, First Leaside may be required to operate a number of the properties for one or more years before an acceptable sale can be achieved.

VI. PROJECTED CASH FLOWS

145. A copy of the Applicants' consolidated projected weekly cash flows will be appended to the Pre-Filing Report of GTL as proposed Monitor, which report is also being filed in support of the CCAA application.

VII. INITIAL CCAA ORDER SOUGHT

Stay of Proceedings

146. As a result of the financial condition of First Leaside, many creditors will likely commence enforcement proceedings against First Leaside, including lenders and LP investors seeking to recover amounts they have lent to and invested in First Leaside. A stay of proceedings is essential for the protection of First Leaside's business and the

properties. Such a stay would create the necessary environment to allow First Leaside to develop, refine, and implement its wind-down plan. It will also allow First Leaside, with the assistance of GTL as the proposed Monitor in the CCAA proceedings, to develop a claims process for First Leaside investors so that that realizations can be distributed amongst the investors in an equitable manner, with Court approval.

Monitor

147. GTL has consented to act as Monitor in First Leaside's CCAA proceedings, if such relief is granted by this Court. An executed consent of GTL to act as Monitor will be filed with the court at the hearing of this application.

Appointment of a CRO

148. Although I have acted as CRO since December 2011, First Leaside is seeking confirmation and approval of my existing appointment during the pendency of the CCAA proceedings.

149. Given the relationship between First Leaside and its investors, and the potentially strained relationship between management and other stakeholders, First Leaside believes that the appointment of a CRO in these proceedings is critical to ensuring independence and objectivity during the restructuring process.

150. I have over 25 years of experience in providing strategic advice and leadership to business organizations. I was a partner in the Financial Advisory Services practice at Deloitte LLP, where I specialized in corporate restructuring and corporate finance. In 2003, I left Deloitte to set up my own business, G.S. MacLeod & Associates Inc. In this

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new role I have continued to provide advice and management leadership on corporate reorganizations and transactions to mid-market companies and their stakeholders. I have significant experience working as a CRO, including in relation to Hunjan Automotive, Bob-Lo Island, Brite Manufacturing, Great Lakes Fish Company, and Seaquest Corp./Seaquest Capital Corp. I am a Chartered Accountant, Chartered Insolvency and Restructuring Professional, and licensed bankruptcy trustee.

151. I was retained by First Leaside as CRO on December 6, 2011, and intend to continue in my capacity as CRO with the approval of this Court.

152. First Leaside is seeking the approval of the appointment of a CRO and an indemnity and charge relating to the fees and expenses of the CRO. Such charge is part of the Administrative Charge that First Leaside is seeking, described below.

Cash Management

153. Traditionally, the various entities constituting First Leaside have used TD as their banker and have maintained multiple current accounts (in excess of 50) at such bank. Many of such accounts have limited activity and balances.

154. On February 21, 2012, counsel for TD advised that the bank will require First Leaside to reduce the number of accounts that it maintains. Although First Leaside is prepared to do so, such consolidation will, in effect, create some version of a centralized cash management system whereby balances from multiple entities are combined in a smaller number of accounts. However, the reduction of the number of accounts will make the control and review of First Leaside's financial affairs easier for both the

Company and the proposed Monitor. For purposes of a CCAA order, First Leaside seeks permission to establish a centralized cash management system.

Payment of Professional Fees and the Administrative Charge

155. I believe it is in the interests of First Leaside and all of its stakeholders that First Leaside's legal advisors, the CRO, the Monitor, and the Monitor's proposed counsel (Blake, Cassels & Graydon LLP) (collectively, the "**Estate Professionals**") assist First Leaside throughout this process to proceed with the proposed wind-down. The process will be complicated. The institutional knowledge that the Estate Professionals currently possess is invaluable given the complicated nature of First Leaside's structure and financing.

156. Further, the Estate Professionals will be working with over 1,200 stakeholders to wind-up First Leaside. This will likely be a time-consuming process that will involve both the institutional knowledge and skills of the Estate Professionals.

157. Consequently, it is necessary for First Leaside to pay the reasonable fees and disbursements of the Estate Professionals and it is appropriate that the Estate Professionals be granted a charge in the total amount of $1 million (the "**Administrative Charge**") on the assets of First Leaside as security for amounts owing by First Leaside to them. It is proposed that the fees of all of the Estate Professionals—except counsel to the Independent Committee (who are proposed to come within the D&O Charge)—be secured under the Administrative Charge.

Allocation of Restructuring Costs

158. The Estate Professionals intend to devise a protocol for allocating among the various Applicants, where possible, their fees and disbursements associated with the restructuring. That will likely require the professionals to open multiple files, each of which relates to work performed on specific First Leaside entities or groups of entities.

D&O Charge

159. Although I am, in essence, instructed only by the four members of the Independent Committee, there are 17 independent directors of First Leaside entities. I, along with the First Leaside directors and officers, have knowledge of the properties, have had ongoing discussions with stakeholders, and have been involved in negotiations with third party investors and developers. There is a significant amount of information and experience in the possession of directors that is necessary to support the restructuring and maximize First Leaside's value.

160. Realistically, it is unlikely that the Independent Committee or other directors would continue their service to First Leaside during CCAA proceedings without an indemnity. In fact, members of the Independent Committee have already advised that they wished to resign from their position in order to minimize their personal liability. First Leaside was able to convince them to remain as directors for the time being, although their long term service is in question, especially if they may be exposed to post-filing liability.

161. First Leaside currently *does not*—and historically has never had—directors' and officers' insurance (**"D&O Insurance"**). Although the Independent Committee tried to secure insurance in 2011, it has not been able to do so until now at reasonable rates

and with a reasonable scope of coverage, given that coverage was sought after First Leaside's problems were already apparent and the regulators' investigation was well underway. Efforts to obtain D&O Insurance continue, although any insurance that is obtained is likely to provide minimal coverage.

162. First Leaside is seeking an order under the CCAA that provides for the indemnification of the directors and officers by First Leaside for any post-CCAA filing liabilities, and that grants to the directors and officers (and their counsel, for fees) a charge on all of First Leaside's assets in the total amount of $250,000 (the "**D&O Charge**") as security for such indemnification. Since the D&O Charge relates to post-filing liabilities, such figure has been established by taking into account the above-noted ongoing liabilities to employees for wages and vacation pay.

163. First Leaside is requesting that the D&O Charge rank second in priority, behind the Administrative Charge.

164. On February 22, 2012, the Company, at the direction of the Independent Committee, took steps to establish a trust called the "First Leaside Independent Committee Trust", in favour of the non-management directors of FLWM and their designates (including the CRO) in the amount of $250,000. The purpose of the trust is to pay legal expenses and claims, settlements or judgements from any legal actions commenced against such directors based on claims for actions taken or failed to be taken before the date of this CCAA filing. The proposed trustee is Arden Cornford.

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Representative Counsel

165. First Leaside has over 1,200 investors who have invested their money (loans and equity) in various LPs, trusts, and corporations of the First Leaside group.

166. Given the large number of individual investors in First Leaside and the difficulty that investors would individually have in getting their voice heard in this restructuring, First Leaside seeks the appointment of a well-known and experienced law firm to act as representative counsel to such investors.

167. Appointing representative counsel will enable First Leaside to put in place an efficient and effective communication plan, and will assist in the implementation of the wind-up plan. Further, representative counsel will ensure that those investors who do not opt-out of representation will be adequately represented in the CCAA proceedings.

168. First Leaside is seeking an order under the CCAA that both appoints Fraser Milner Casgrain LLP ("**FMC**") as representative counsel, authorizes an initial maximum amount of $150,000 for legal fees and includes the fees of Representative Counsel in the Administrative Charge.

169. FMC has served as representative counsel on at least one prior occasion when it represented the 26,000 investors in Portus Alternative Asset Management Inc. (and related companies) in bankruptcy proceedings.

170. The Applicants are proposing that Shayne Kukulowicz, a partner at FMC, be the lead lawyer at FMC who acts as representative counsel. FMC has conducted a conflict search and confirmed that it is able to act in this matter. I also believe that Mr.

Kukulowicz is eminently qualified to fill the role of representative counsel and to discharge his responsibilities to investors fully and to act independently of First Leaside.

171. I have already spoken with a number of First Leaside clients about representative counsel. One of these people, Steve Rosenberg, is apparently an investor who has been in contact with dozens of other investors and was (within the last week) seeking potential counsel for investors. Around February 17, 2012, I spoke with Mr. Rosenberg and explained the CCAA process and discussed the possibility of representative counsel. I later sent a follow-up e-mail to him to explain the concept of representative counsel. Mr. Rosenberg also informed me, and I believe, that he spoke with Mr. Kukulowicz on February 18, 2012, and that it was a "good conversation".

172. On February 18, 2012, I also exchanged e-mail messages with two other investors, Keith and Lois Warden, to explain the rationale for, and role of, representative counsel.

173. Mr. Kukulowicz has also advised me, and I believe, that he and other members of FMC have also made contact with a number of investors to explain the possibility of appointing representative counsel. He has also advised me that investors have, in general, been very supportive of the potential appointment of representative counsel.

174. It is not the intention of First Leaside to exclude the participation of other counsel on behalf of individual investors. As such, the proposed CCAA order allows investors to provide representative counsel with written notice if they do not wish to be represented by FMC, thereby creating an "opt-out" process. However, since it would not be

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economically feasible for First Leaside to fund numerous counsel for individual investors, parties that opt-out would have to bear their own legal fees.

Priority of the Administrative Charge and the D&O Charge (collectively, the "Charges")

175. Since many of First Leaside's real properties have values which exceed the amount of their underlying mortgages, the proposed charges will likely be borne by subordinate creditors (like noteholders) and, in some cases, by equity holders. However, it is these stakeholders who have the most to gain from an orderly liquidation process which maximizes value, thereby creating a potentially greater surplus after mortgages are paid.

176. The cumulative amount of the Administrative Charge and the D&O Charge would be $1.25 million. That amount is about 1% of the gross value of First Leaside's real estate assets according to the appraisals referred to in the GTL Report (on page 66).

177. The restructuring will, admittedly, have a cost. However, I believe that the cost of restructuring is likely to be significantly higher if realization of assets occurs in a piecemeal fashion, especially given the large number of creditors and the extensive inter-company loans.

178. First Leaside needs a coordinated process to:

(a) operate the various properties during the wind-down;

(b) market and sell properties;

(c) accept and adjudicate claims from equity-holders, debt holders, trade creditors, construction lien claimants, and mortgages; and

(d) come to a final reckoning of all assets and liabilities as amongst all entities in the First Leaside group (including payment of inter-company debt).

179. I believe that the most efficient and least expensive way of dealing with these matters is through a coordinated CCAA process.

180. Should the Administrative Charge and D&O Charge not be approved, First Leaside would be unable to proceed under the CCAA and First Leaside's other stakeholders would be significantly prejudiced.

VIII. CONCLUSION

181. If First Leaside is provided with a reasonable period of protection, First Leaside's goal is to refine and implement a wind-down plan that would maximize value for its stakeholders. The granting of the relief requested also provides a single forum for the numerous stakeholders of First Leaside.

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182. If CCAA protection is not granted, First Leaside would likely be faced with the unpalatable requirement of abandoning multiple properties (i.e., those without immediate access to funds). Given the numerous and diverse nature of the stakeholders of First Leaside, it is foreseeable that numerous parties would take individual remedies and there would be layers of costly litigation and an overall diminution of stakeholder recoveries. I believe that such a meltdown would result in the loss of significant value for all stakeholders.

SWORN before me at the City of Toronto In the Province of Ontario, this 22nd day of February, 2012	))))))	
A Commissioner, etc.		Gregory MacLeod

This is **Exhibit "A"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

SCHEDULE A: Entities Filing Under CCAA Which Are Applicants in this Proceeding	SCHEDULE B: Limited Partnerships Associated with the Entities Listed in Schedule "A" (if any)
First Leaside Wealth Management Inc.	
First Leaside Finance Inc.	
First Leaside Securities Inc.	
FL Securities Inc.	Mill Street Limited Partnership
First Leaside Management Inc.	Development Notes Limited Partnerships Special Notes LP
First Leaside Accounting and Tax Services Inc.	
First Leaside Holdings Inc.	
2086056 Ontario Inc.	First Leaside Properties LP
First Leaside Realty Inc.	First Leaside Realty LP First Leaside Real Estate LP
First Leaside Capital Inc.	
First Leaside Realty II Inc.	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

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	First Leaside Universal LP Uxbridge Development LP First Leaside Retirement Residences Limited Partnership First Leaside Venture Limited Partnership
First Leaside Investments Inc.	
965010 Ontario Inc.	Wimberly Apartments LP
1045517 Ontario Inc.	The Shores LP
1024919 Ontario Inc.	Old Mill Pond LP
1031628 Ontario Inc.	
1056971 Ontario Inc.	The Bluffs of Lakewood LP
1376095 Ontario Inc.	First Leaside Spring Valley LP
1437290 Ontario Ltd.	First Leaside Partners LP First Leaside Opportunities LP
1244428 Ontario Ltd.	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
PrestonOne Development (Canada) Inc.	
PrestonTwo Development (Canada) Inc.	
PrestonThree Development (Canada) Inc.	
PrestonFour Development (Canada) Inc.	
2088543 Ontario Inc.	FL Master Texas Ltd.
2088544 Ontario Inc.	FLW Pond Master Ltd.

2088545 Ontario Inc.	FLW Shores Master Ltd.
1331607 Ontario Inc.	First Leaside Acquisitions LP
Queenston Manor General Partner Inc.	Queenston Manor LP
1408927 Ontario Ltd.	First Leaside Acquisitions 2000 LP
2107738 Ontario Inc.	First Leaside Advantage LP
1418361 Ontario Ltd.	First Leaside Developments LP
2128054 Ontario Inc.	First Leaside Elite LP First Leaside Select LP
2069212 Ontario Inc.	First Leaside Enterprises LP
1132413 Ontario Inc.	B&W LP First Leaside Entities LP
2067171 Ontario Inc.	First Leaside Expansion LP
2085306 Ontario Inc.	First Leaside Growth LP
2059035 Ontario Inc.	First Leaside Operations LP
2086218 Ontario Inc.	First Leaside Unity LP
2085438 Ontario Inc.	First Leaside Visions I LP First Leaside Visions II LP First Leaside Visions III LP First Leaside Visions IV LP Metabacus LP Greencore LP Marksman Cellject LP OMISA LP Dossierview LP eSight LP Tyromer LP
First Leaside Visions Management Inc.	
1049015 Ontario Inc.	Place Concorde East LP

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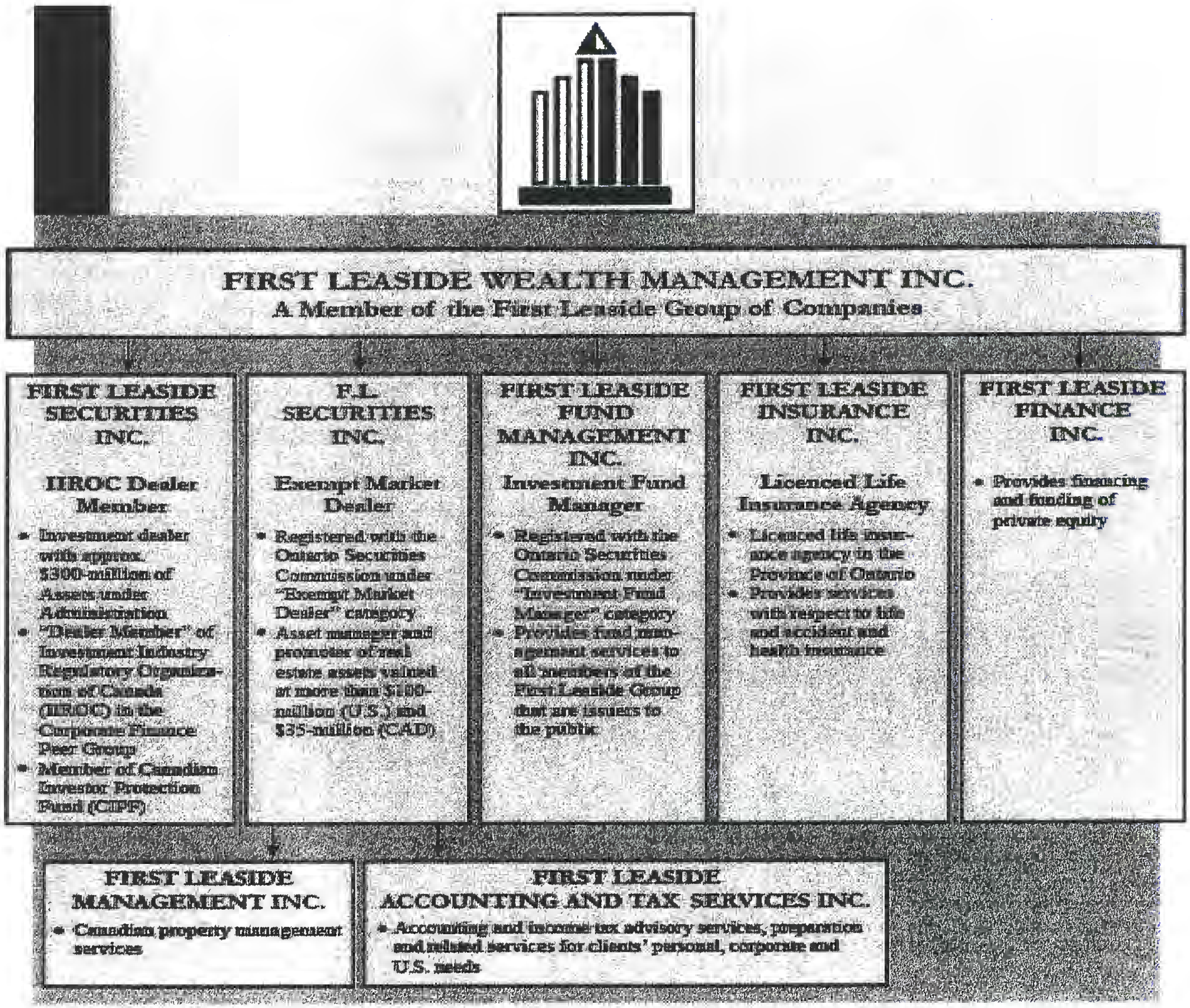
1049016 Ontario Inc.	Place Concorde West LP
2007804 Ontario Inc.	First Leaside Wealth Management LP
2019418 Ontario Inc.	First Leaside Technologies LP
FL Research Management Inc.	
970877 Ontario Inc.	
1031628 Ontario Inc.	
1045516 Ontario Inc.	
2004516 Ontario Inc.	
2192341 Ontario Inc.	
First Leaside Fund Management Inc.	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 "B"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

B. FLWM Organizational Chart



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This is **Exhibit "C"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

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G.S. MacLeod & Associates Inc.

P.O. Box 1635
Burlington, ON L7R 5A1
Phone: 905-876-7550
greg@gsmacleod.com

December 21, 2011

INDEPENDENT COMMITTEE OF
THE FIRST LEASIDE GROUP OF COMPANIES
c/o Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Attention: Dr. Leo deBever, Chair

Dear Dr. deBever

Re: Proposed Terms of Engagement

We are pleased to submit this confidential proposal for services to First Leaside Wealth Management Inc. and its various direct and indirect subsidiary and investee companies as enumerated in the Confidential Report dated August 19, 2011 prepared by Grant Thornton (collectively referred to herein as the "FL Group").

The effective commencement date for services is December 5, 2011. All consultations and services will be provided by Greg MacLeod, President of G.S. MacLeod & Associates. Mr. MacLeod is a Chartered Accountant and a Certified Insolvency & Restructuring Practitioner (CIRP). Please refer to Schedule "A" attached hereto for further information about Mr. MacLeod.

Proposed Terms of Engagement

Scope of Engagement

In general terms, we will assist the Special Committee and the FL Group in the development and execution of strategies to stabilize operations, re-organize the capital structure and build stakeholder consensus for FL Group's re-configuration plan. Without limiting the overall scope of the engagement, Mr. MacLeod will carry out the following services:

1. Assessing the current financial position of the FL Group to gain a full understanding of the present capital structure, including a review of all assets and liabilities;

2. Reviewing prospective cash flows and operations forecasts and, if necessary, lead the development of such forecasts as may be required;
3. Making recommendations regarding operations and cash management and asset-specific strategies and, with the consent and direction of the Independent Committee, lead FL Group management in the execution of such strategies;
4. Working closely with the Independent Committee to identify short and long-term funding requirements and sources of new capital;
5. Liaising with the Independent Committee and its and FL Group's external legal counsel to discuss alternative courses of action to effect the re-configuration of the business;
6. Liaising with investors, regulators and other stakeholders as necessary with guidance and assistance from the Independent Committee; and
7. Facilitating Grant Thornton's mandate to independently monitor and report on cash flows and operations to the FL Group and the regulators.

MacLeod Role

G.S. MacLeod & Associates Inc. is being retained as an independent consultant. Neither G.S. MacLeod & Associates Inc. nor Mr. MacLeod will have any responsibility for the affairs of the FL Group nor shall it participate in the management of the FL Group's affairs and shall incur no liability in respect thereof or otherwise in connection with the FL Group, its business and affairs. Mr. MacLeod will not be acting in the capacity of director, officer or employee unless specifically engaged to do so. In the event Mr. MacLeod subsequently agrees to act in such capacity, the FL Group agrees to immediately add Mr. MacLeod as a named insured under existing directors and officer's liability insurance policies, if any.

Mr. MacLeod will report directly to the Independent Committee.

The FL Group's Representations to G.S. MacLeod & Associates Inc.

It is understood and agreed that we shall have unrestricted access to all information concerning the FL Group's undertaking, property and affairs in order to carry out this engagement. We shall have complete and open access to all of the FL Group's premises, offices, files and records of every kind and description, wherever located. Officers, directors, partners, employees, agents and consultants shall answer all questions put to them truthfully and to the best of their ability and the FL Group shall instruct its respective officers, directors, employees, agents, consultants, bankers, accountants, solicitors and other advisors to provide any and all information required by us.

We shall be entitled to rely upon and shall be under no obligation to verify the accuracy of data, information or representations provided by the FL Group or any other party. We will be relying on the FL Group's financial and management information systems to ensure that operational and management reports are accurate, and reliable. The FL Group agrees to use reasonable skill, care and attention to ensure that all information provided to us is accurate and complete and will immediately notify us if it subsequently learns that any information provided is incorrect or inaccurate or otherwise should not be relied on.

Confidentiality

G.S. MacLeod & Associates Inc. will treat all proprietary information obtained from the FL Group in the course of this engagement as confidential and will not use such information except in connection with the performance of its services hereunder. This restriction will not apply to any confidential information that: (1) is required to be disclosed by G.S. MacLeod & Associates Inc. pursuant to subpoena or other mandatory legal process provided that before making such disclosure G.S> MacLeod & Associates Inc. shall give the FL Group adequate opportunity to interpose an objection or take action to assure confidential handling of the disclosed confidential information; (2) is in or hereafter published or otherwise enters the public domain through no fault of G.S> Macleod & Associates Inc. (but only after, and only to the extent that, it is published or otherwise enters the public domain); (3) that is or hereafter becomes known to G.S. MacLeod & Associates Inc. without breach of any confidentiality obligations hereunder; or (4) that is independently developed by G.S. MacLeod & Associates Inc.

Use of Agents and Consultants

G.S. MacLeod & Associates Inc. will not engage contractors, agents, appraisers or consultants for any purpose without the Independent Committee's express prior approval. To the extent any such foregoing persons or individuals are retained, their costs will be agreed in advance and the FL Group will be solely responsible for payment.

Fees

The basic fee for these services will be $25,000 per calendar month. In addition, FL Group agrees to pay an allowance of $110.00 per day for travel to and from FL Group offices. FL Group will also arrange accommodation in Uxbridge as required. Hotels, air travel and other expenses related to travel away from the FL Group's place of business will be billed separately at actual cost without mark-up.

A billing for the current month will be rendered upon acceptance of these terms and thereafter on the 1st day of each month. All billings are due upon receipt. HST will be added to each billing.

Term

This engagement has no fixed term and may be terminated at any time by either party without notice. The FL Group will pay of all fees earned on a pro rated basis up to and including the last day worked, together with any unpaid travel allowance and disbursements earned

If the engagement is terminated by the Independent Committee, other than for cause, or by mutual agreement, then an additional lump-sum payment will be made as follows:

- If termination occurs on or before June 30, 2012, then an amount equal to one month's basic fee;

- If termination occurs any time after June 30, 2012, then an amount equal to three months' basic fee.

Indemnity The FL Group agrees that neither G.S. MacLeod & Associates Inc. nor Greg MacLeod shall have any liability, responsibility or obligation to the FL Group, whether in contract, negligence, tort or otherwise, arising in respect of any cause, matter or thing existing as of the effective date hereof in respect any matter related to or arising out of this engagement. Furthermore, the FL Group agrees to indemnify and hold harmless each of G.S. MacLeod & Associates Inc. and Greg MacLeod from any and all claims, demands, liabilities, losses and expenses (collectively, "Claims") sustained or incurred by either of them arising out of this engagement, except in circumstances where such Claims are determined by a court of competent jurisdiction to be the result of the wilful misconduct, fraudulent behaviour or gross negligence of G.S. MacLeod & Associates Inc. and/or Greg MacLeod.

Yours very truly,

G.S. MacLEOD & ASSOCIATES INC.

Per: MacLeod

Greg S. MacLeod
President

****

We acknowledge and agree to be bound by the terms and conditions of engagement set out above.

INDEPENDENT COMMITTEE OF FIRST LEASIDE GROUP OF COMPANIES

Per: ______________________

(Print Name): Leo de Bever

(Title): Chair, Independent Committee of the Board

I have authority to bind the FL Group.

81.

Greg S. MacLeod, B.Comm, CA - CIRP

www.gsmacleod.com

For over 25 years, Greg has delivered strategic advice and leadership to business organizations worldwide. His career has included senior financial roles in industrial companies and client service roles with professional services firms. For a number of years until 2002 he was a Partner in the Financial Advisory Services practice of Deloitte LLP, specializing in the area of corporate restructuring and corporate finance. He was responsible for several of the firm's largest insolvency and restructuring engagements in Canada and worldwide. In 2003, he formed G.S. MacLeod & Associates Inc. and has continued to provide advice on corporate reorganization strategy and transactions to Canadian mid-market companies and their stakeholders.

In addition to delivering professional seminars throughout his career, he has at various times taught undergraduate business courses at Saint Mary's University in Halifax and at the University of Prince Edward Island, where he also served as a member of the Advisory Board of the School of Business. He enjoys a longstanding relationship with George Brown College in Toronto as a member of the Advisory Board of SIFE George Brown where his efforts were recently recognized by ACE Canada as Advisory Board Member of the Year.

He remains actively involved in the Canadian small business sector through advisory boards and as an investor. He recently served on the Young Entrepreneurs Awards selection committee sponsored by the Business Development Bank of Canada.

Credentials

Bachelor of Commerce, Dalhousie University, Halifax, Nova Scotia, 1975

Chartered Accountant, 1979

Chartered Insolvency and Restructuring Professional, 1989

This is **Exhibit "D"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

81A.

Draft - prepared by management

First Leaside Wealth Management Inc.

(A Canadian Corporation)

Consolidated Financial Statements

(unaudited)

December 31, 2010

First Leaside Wealth Management Inc.

Draft - prepared by management

Consolidated Balance Sheet
(Expressed in Canadian dollars)

as at December 31, 2010
(unaudited)

	2010
Assets	
Cash	$ 18,319,920
Short-term investments	1,622,846
Accounts receivable and prepaid assets	1,039,562
Deferred financing costs	632,627
Loans receivable	5,138,913
Advances to affiliates	12,440,715
	39,194,583
Investments	18,367,655
Capital assets, net	2,559,533
	$ 60,121,771
Liabilities and Shareholders' Equity	
Liabilities:	
Accounts payable and accrued liabilities	$ 4,838,589
Income tax payable	171,829
Advances from affiliates	20,814,909
Loan payable	1,129,161
Promissory notes payable	11,917,926
	38,872,414
Common Stock	3
Shareholders Equity	21,249,355
	$ 60,121,771

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First Leaside Wealth Management Inc.

Draft - prepared by management

Consolidated Statement of Operations
(Expressed in Canadian dollars)

for the year ended December 31, 2010
(unaudited)

	2010
Revenue	
Revenue:	
Corporate finance and consulting fees	$ 6,806,135
Interest and investment income	4,004,157
Commissions	3,484,941
Administration and professional fees	1,349,016
Wealth management fees	509,878
Asset and property management fees	246,423
Income from investments	(323,134)
	16,077,416
Expenses	
Operating Expenses:	
Salaries and benefits	6,628,907
Interest expense	3,204,295
Office and administration	732,263
Professional fees	1,918,467
Travel, Meals, & Conferences	951,235
Occupancy costs	303,344
Security processing fees	240,449
Amortization	156,289
	14,135,249
Net Income before other income (loss)	1,942,167
Write-down of advances to affiliate	(3,978,400)
Unrealized foreign exchange (loss) gain	(414,016)
Income (loss) before income tax	(2,450,249)
Provision for Income Tax	413,106
Net Income (loss) for the year	**$ (2,863,355)**

First Leaside Wealth Management Inc.

Draft - prepared by management

Consolidated Shareholders' Equity
(Expressed in Canadian dollars)

for the year ended December 31, 2010
(unaudited)

	2010
Shareholders' equity, beginning of year	$ 23,280,779
Prior period adjustment	(43,692)
Contributions	4,824,252
Issue costs	(421,817)
Net income (loss)	(2,863,355)
Dividends - preferred shareholdings	(2,391,812)
Dividends - common shareholdings	(1,135,000)
Shareholders' equity, end of year	**$ 21,249,355**

First Leaside Wealth Management Inc.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

First Leaside Wealth Management Inc.("FLWM") was incorporated under the laws of the Province of Ontario on November 8, 2002, for the purpose of holding investments and providing consulting, advisory and administrative services.

1. Significant Accounting Policies:

(a) Basis of presentation:

These consolidated financial statements are presented in Canadian dollars and are prepared in accordance with accounting principles generally accepted in Canada.

The consolidated financial statements include the accounts of FLWM and its wholly owned subsidiaries:

	% ownership
First Leaside Securities Inc.	100.00%
F.L. Securities Inc.	100.00%
First Leaside Accounting & Tax Services Inc.	100.00%
First Leaside Finance Inc.	100.00%
First Leaside Wealth Management Inc. Trust	100.00%

(b) Revenue recognition:

Fee revenue is recognized as the services are rendered or on completion and when collectability is assured.

Management fees are charged to real estate companies and limited partnerships, which are managed by the Company and its affiliates based on a percentage of revenue.

Advisory fees relate to promotion of the limited partnership offered by First Leaside Securities Inc., and to strategic planning and project evaluation services provided to the limited partnerships.

Charges for services performed generally are made either in accordance with the terms of service agreements entered into between the General Partner and the limited partnerships, as set out in the offering memoranda or by the general authority provisions granted to the General Partner in the respective limited partnership agreements.

Interest income includes interest charged on related party balances, loans receivable and promissory notes receivable. Interest is recognized when it is earned.

1. Significant Accounting Policies (continued):

(c) Investments:

The equity method is used to record investments of the Company in limited partnerships where the Company has significant influence over the operations but does not control the limited partnerships. Under the equity method, the pro rate share of income or losses of the investees are included in the consolidated statement of perations and retained earnings as equity pick-up on investments.

All other investments are classified as available-or sale. These available-for-sale investments do not have a quoted market price in an active market and, as such, are measured at cost.

(d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(e) Capital assets:

Capital assets are carried at cost less accumulated amortization. Amortization is provided on a declining-balance basis as follows:

Leasehold Improvements	17%
Furniture and Fixtures	20%
Computer Hardware & Equipment	30%
Computer Software	50%
Art	not subject to amortization

(f) Foreign currency translation

Revenue denominated in foreign currencies is translated into Canadian dollars at rates of exchange in effect when transactions occurred. Foreign exchange gains and losses are included in the consolidated schedule of net income before taxes.

(g) Deferred financing costs:

Financing costs are deferred and amortized on a straight-line basis over the term of the related debt.

(h) Income taxes:

Income taxes are recorded on the taxes payable method.

First Leaside Wealth Management Inc.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

2. Related Party Transactions

Related party transactions include certain legal, accounting and other expenses paid on behalf of certain related entities, as well as received management fees, and other revenue from related entities for project development, re-structuring and assurance fees. The Company shares personnel and premises with other related entities. Allocations of such costs are included in operating costs. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company, in the normal course of operations, will loan and borrow funds to and from related parties. These transactions bear interest at 7% and are due on demand. The balances are as follows:

		2010
Due from related parties		
Wimberly Apartments Limited Partnership	$	4,000,864
F.L. Spring Valley Limited Partnership		1,718,899
First Leaside Realty II Inc.		1,292,607
First Leaside Visions II Limited Partnership		1,237,637
First Leaside Investors Limited Partnership		1,139,988
First Leaside Visions I Limited Partnership		745,508
First Leaside Operations Limited Partnership		590,626
F.L. Research Management Inc.		355,829
First Leaside Visions Limited Partnership		270,786
Old Mill Pond LP		249,409
The Shores Limited Partnership		232,142
First Leaside Capital Limited Partnership		220,154
First Leaside Realty Limited Partnership		137,047
965010 Ontario Inc.		66,831
First Leaside Management Inc.		56,305
1244428 Ontario Inc.		56,035
First Leaside Acquisitions Limited Partnership		45,434
2019418 Ontario Inc.		8,399
First Leaside Investments Inc.		2,499
First Leaside Mortgage Fund		1,311
1132413 Ontario Inc.		2,183
1418361 Ontario Inc.		1,507
First Leaside Holdings Inc.		1,251
1024919 Ontario Inc.		1,239
1045517 Ontario Inc.		938
Queenston Manor Limited Partnership		777
First Leaside Group of Companies		723
Place Concord Limited Partnership		696
1049015 Ontario Inc.		686
1049016 Ontario Inc.		686
1437290 Ontario Inc.		443
2069212 Ontario Inc.		353
First Leaside Nominee Services Inc.		300
1056971 Ontario Inc.		225
Queenston Manor GP Inc.		142
1270168 Ontario Inc.		116
2128054 Ontario Inc.		75
Old Mill Pond General Partner Inc.		65
	$	12,440,715

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First Leaside Wealth Management Inc.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

2. Related Party Transactions (continued)

		2010
Due to related parties		
First Leaside Expansion Limited Partnership	$	8,460,264
First Leaside Progressive Limited Partnership		4,740,205
First Leaside Premier Limited Partnership		2,207,055
First Leaside Elite Limited Partnership		1,995,123
First Leaside Universal Limited Partnership		1,676,809
First Leaside Ultimate Limited Partnership		1,058,902
Joanna L. Hampton Holdings Inc.		151,787
First Leaside Select Limited Partnership		138,695
970877 Ontario Inc.		93,800
Matthew E. Bakker, Professional Corporation		81,082
1408927 Ontario Inc.		59,033
First Leaside Realty Inc.		55,557
First Leaside Realty II Limited Partnership		33,264
First Leaside Entities Limited Partnership		19,620
Harmony Townhomes Limited Partnership		17,652
Mill Street LP		13,565
First Leaside Wealth Management Fund		7,712
First Leaside Developments Limited Partnership		4,533
Special Notes Limited Partnership		149
1331607 Ontario Inc.		100
First Leaside Properties Fund		1
1331607 Ontario Inc.		1
	$	20,814,909

Related Party Revenue:

Management and administration fees of $246,423, advisory fees of $6,806,135, and professional fees of $1,349,016 were earned for various services provided to real estate projects managed by the Company.

Certain corporate finance and consulting fees previously charged in accordance with the Partnership Agreements were refunded during the year amounting to $3,978,400. This has been recorded as a write-down of advances to affiliate.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

First Leaside Wealth Management Inc.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

3. Investments in subsidiaries

The carrying value of investments is as follows:

		2010
Investments subject to significant influence:		
Joanna Hampton Holdings Inc.	$	2,038,133
Matthew E. Bakker Professional Corporation		641,573
Other		219,642
First Leaside Developments Limited Partnership		198,680
First Leaside Technologies Limited Partnership		98,445
First Leaside Visions Management Inc.		89,877
First Leaside Insurance Inc.		24,336
Harmony Townhomes Limited Partnership		17,652
Mill Street Limited Partnership		13,565
First Leaside Acquisitions 2000 Limited Partnership		954
First Leaside Partners (1997) Limited Partnership		304
B&W Limited Partnership		(57,081)
		3,286,080
Available for sale investments:		
Wimberly Apartments Limited Partnership		10,882,152
First Leaside Beverages Limited Partnership		1,113,273
First Leaside Elite Limited Partnership		726,953
First Leaside Retirement Residences Limited Partnership		530,783
First Leaside Expansion Limited Partnership		523,360
First Leaside Select Limited Partnership		424,205
First Leaside Acquisitions Limited Partnership		309,839
First Leaside Premier Limited Partnership		143,516
First Leaside Realty Limited Partnership		90,000
First Leaside Progressive Limited Partnership		75,000
First Leaside Realty II Limited Partnership		66,150
First Leaside Realty Inc.		54,600
First Leaside Capital Inc.		53,061
F.L. Spring Valley Limited Partnership		34,538
First Leaside Investors Limited Partnership		28,000
First Leaside Properties Fund		18,970
Queenston Manor Limited Partnership		(0)
First Leaside Holdings Inc.		5,600
Old Mill Pond Apartments Limited Partnership		1,575
		15,081,575
	$	18,367,655

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First Leaside Wealth Management Inc.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

4. **Capital assets**

	Cost	Accumulated Depreciation	2010 Net Book Value
Furniture and Fixtures	$ 129,959	($64,478)	$ 65,481
Computer Hardware & Equipment	531,510	(371,773)	159,737
Computer Software	674,973	(618,582)	56,391
Leasehold Improvements	742,041	(433,248)	308,793
Art	1,969,132		1,969,132
Automobile	-		-
	$ 4,047,614	($1,488,081)	$ 2,559,533

5. **Promissory Notes Payable**

	2010 Carrying Value
2010 issuances	$ 11,917,926
	$ 11,917,926

During 2010, FLWM issued $11,917,926 in promissory notes payable ("Notes") to First Leaside Wealth Management Fund ("FLWM Fund"). The Notes bear interest at 7% per annum and are due three years from issuance. They were issued are various dates during 2010. At the option of FLWM, the Notes are redeemable and extendible for three successive one year terms from the date of the initial maturity date.

6. **Financial Risk Management**

(a) Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturities of these financial instruments.

The fair value of the amount due from related parties could not be reasonably calculated as no comparable commercial terms are obtainable.

As at December 31, 2010, the carrying values of the loans receivable and promissory notes payable approximate their fair values as rates for similar debt of similar terms and credit risk have remained consistent with actual rates.

6. Financial Risk Management (continued)

(b) Interest rate risk

The company is exposed to interest rate risk from fluctuations in interest rates. This risk is managed by having fixed rates on promissory notes payable and on amounts due to related parties.

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument denominated in a foreign currency will fluctuate because of changes in foreign exchange rates.

(d) Credit risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligation. The Company is exposed to the risk that third parties that owe it money or other assets will not perform their obligations.

Management monitors the collectability of receivables and estimates an allowance for doubtful accounts. It is the Company's policy to provide an allowance against all doubtful accounts.

Credit risk is managed in a number of ways. Management applies certain credit standards, conducts ongoing financial reviews with respect to clients and monitors credit exposure to individual counterparties on an ongoing basis.

(e) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Management oversees the Company's liquidity risk management program to ensure that the Company has access to enough readily available funds to cover its financial obligations as they come due and to sustain and grow its assets and operations.

The Company holds its cash and cash equivalent balances with a number of highly rated financial institutions. All cash and cash equivalent balances are short term.

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7. Capital Management

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports working capital needs. The Company's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company and other strategic objectives.

Capital Structure
The Company defines its capital structure to include long-term debt, net of cash and cash equivalents, and partners' equity.

Capital Structure

	2010
Shareholders' equity	$ 21,249,355
Share capital	3
Cash	(18,319,920)
	$ 2,929,438

This is **Exhibit "E"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

93.

First Leaside Securities Inc.

Financial Statements
(unaudited)

December 31, 2011

First Leaside Securities Inc.

Balance Sheet
(Expressed in Canadian dollars)

Year ended December 31, 2011, with comparative figures for 2010
(unaudited)

	2011	2010
Assets		
Cash and cash equivalents	2,009,250	3,978,245
Investments	414,158	1,543,574
Income Tax Receivables	90,846	97,856
Client Receivables	665	291,318
Broker Receivable	176,901	14,522
Affiliate Receivables	-	76
Other Receivable	18,590	-
Prepaids	47,398	16,667
	2,757,808	**5,942,259**

	2011	2010
Liabilities and Shareholder's Equity		
Liabilities:		
Bonuses Payable	-	1,600,000
Accounts Payable and Accrued Liabilities	474,680	214,002
Broker & Affiliates Payable	58,052	792,229
Subordinated loans	519,999	519,999
	1,052,731	3,126,230
Equity		
Capital stock	1	1
Retained earnings	1,705,076	2,816,027
	1,705,077	2,816,028
	2,757,808	**5,942,259**

First Leaside Securities Inc.

Statement of Operations
(Expressed in Canadian dollars)

Year ended December 31, 2011, with comparative figures for 2010
(unaudited)

	2011	2010
Revenue		
Bond interest, net	16,494	16,266
Corporate Finance Revenue		
New issues - Equity	2,223,538	3,427,685
New issues - Debt	-	23,750
Corporate Advisory Fees	622,129	648,137
Interest revenue	14,998	13,112
Fees	293,404	509,878
Foreign exchange gain (loss)	(309)	97
	3,170,253	4,638,926
Expenses		
Operating expenses	2,963,896	2,796,458
Allowance	1,270,135	
Bonuses	40,000	1,600,000
Income taxes	7,173	81,106
	4,281,204	4,477,565
Net Income for the year	**(1,110,951)**	**161,361**

First Leaside Securities Inc.

Statement of Earnings
(Expressed in Canadian dollars)

Year ended December 31, 2011, with comparative figures for 2010
(unaudited)

	2011	2010
Equity, beginning of year	2,816,027	2,654,666
Net Income for the year	(1,110,951)	161,361
Equity, end of year	**1,705,076**	**2,816,027**

This is **Exhibit "F"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

Exhibit "F"

First Leaside Group of Companies: Summary of Holdings at Penson Financial Services Canada (as at February 14, 2012)

	F.L. Securities Inc.	First Leaside Fund Management Inc.	First Leaside Securities Inc.
T-Bills	$50,926.56	$100,854.56	$252,084.14
Government of Canada Bonds	$33,600.00	-	-
Merrill Lynch & Co. Inc. Bonds	-	-	$85,511.01
Subtotal	$84,526.56	$100,854.56	$337,595.15
Total			$522,976.27

This is **Exhibit "G"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

93.

First Leaside Finance Inc.

(A Canadian Corporation)

Financial Statements

(unaudited)

December 31, 2010

First Leaside Finance Inc.

Balance Sheet
(Expressed in Canadian Dollars)
(unaudited)

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Cash	$ 1,352,126	$ 414,548
Amounts receivable	100	5,529
Prepaids and deposits (note 3)	10,000	10,000
Investments	11,804,063	9,747,045
Due from related parties (note 2)	14,229,708	19,603,754
	$ 27,395,997	**$ 29,780,876**

Liabilities and Shareholders' Equity

	2010	2009
Liabilities:		
Accounts payable and accrued liabilities	$ -	$ 47,609
Due to related parties (note 2)	27,868,937	29,868,531
	27,868,937	29,916,140
Shareholder's Equity		
Share Capital	100	100
Equity (Deficit)	(473,040)	(135,364)
	(472,940)	(135,264)
	$ 27,395,997	**$ 29,780,876**
	-	-

First Leaside Finance Inc.

Statement of Operations
(Expressed in Canadian Dollars)
(unaudited)

For the year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Revenue		
Revenue:		
Interest income	$ 1,367,898	$ 1,295,286
Investment income	456,667	17,643
Unrealized foreign exchange gain	68,601	-
	1,893,166	1,312,929
Expenses		
Operating Expenses:		
General and administrative	1,259	17,657
Professional fees	-	21
Interest Expense	2,229,583	1,356,575
Unrealized foreign exchange loss	-	409,196
	2,230,842	1,783,449
Net Income (Loss)	**$ (337,676)**	**$ (470,520)**

First Leaside Finance Inc.

Statement of Shareholder's Equity
(Expressed in Canadian Dollars)
(unaudited)

December 31, 2010, with comparative figures for 2009

		2010		2009
Equity (Deficit), beginning of year	$	(135,364)	$	335,156
Net Income (Loss)		(337,676)		(470,520)
Equity (Deficit), end of year	**$**	**(473,040)**	**$**	**(135,364)**

First Leaside Finance Inc.

Notes to the Financial Statements
(Expressed in CAD)
(unaudited)

For the year ended December 31, 2010

First Leaside Finance Inc. (the "Company") was incorporated under the laws of the Province of Ontario, Canada, on September 1, 1999. The Company provides financing for other Companies and Limited Partnerships in the First Leaside Group.

On September 12, 2002, the Company became a member of the Mutual Fund Dealers Association of Canada ("MFDA"), a self-regulatory organization. The Company determined that it was not going pursue operations under MFDA, therefore effective October 31, 2006, the Company resigned from its membership with the MFDA.

1. Significant Accounting Policies

(a) Basis of presentation:

These financial statements are presented in Canadian dollars and are prepared in accordance with accounting principles generally accepted in Canada.

(b) Revenue recognition:

Interest income includes interest charged on related party balances, it is recognized when it is earned.

(c) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(h) Income taxes:

Income taxes are recorded on the taxes payable method.

First Leaside Finance Inc.

Notes to the Financial Statements
(Expressed in CAD)
(unaudited)

For the year ended December 31, 2010

2. Related Party Transactions

The Company, in the normal course of operations, will loan and borrow funds to and from related parties. These transactions bear interest at 7% (2009 – 7%) and are due on demand. The balances are as follows:

	2010	2009
Due from related parties		
Wimberly Apartments Limited Partnership	$ 4,034,939	$ 10,739,464
First Leaside Accounting & Tax Services Inc.	1,877,040	616,391
F.L. Spring Valley Limited Partnership	1,718,388	1,470,321
First Leaside Visions II Limited Partnership	1,237,637	2,039,241
First Leaside Investors Limited Partnership	1,139,988	-
First Leaside Enterprises Limited Partnership	1,091,358	-
First Leaside Realty II Inc.	1,083,261	1,050,069
First Leaside Operations Limited Partnership	590,626	1,527,343
First Leaside Properties Limited Partnership	564,909	-
First Leaside Visions Limited Partnership	270,786	-
First Leaside Capital Inc.	220,154	195,624
First Leaside Realty Limited Partnership	137,047	73,141
First Leaside Visions I Limited Partnership	115,069	448,780
965010 Ontario Inc.	66,831	62,699
First Leaside Acquisitions Limited Partnership	45,434	-
2019418 Ontario Inc.	8,399	7,880
970877 Ontario Inc.	6,200	(0)
First Leaside Management Inc.	2,601	-
First Leaside Investments Inc.	2,499	2,380
First Leaside Mortgage Fund	2,311	-
1132413 Ontario Inc.	2,183	2,048
1418361 Ontario Inc.	1,507	1,216
First Leaside Holdings Inc.	1,251	1,174
1024919 Ontario Inc.	1,239	917
FL Master Texas, Ltd.	1,072	1,000
1045517 Ontario Inc.	938	574
1408927 Ontario Inc.	877	823
First Leaside Group of Companies Inc.	723	-
Place Concorde West Limited Partnership	686	643
1049015 Ontario Inc.	686	382
1049016 Ontario Inc.	686	382
First Leaside Wealth Management Fund	500	-
1437290 Ontario Inc.	443	416
2069212 Ontario Inc.	353	33
First Leaside Nominee Services Inc.	300	-
1056971 Ontario Inc.	225	211
Queenston Manor GP Inc.	142	-
1270168 Ontario Inc.	116	-
2128054 Ontario Inc.	75	71
1244428 Ontario Ltd	66	66
Old Mill Pond General Partner Inc.	65	61
Old Mill Pond Apartments Limited Partnership	45	42
First Leaside Partners Limited Partnership	30	-
2085438 Ontario Inc.	14	-
Place Concorde West Limited Partnership	10	-
F.L. Securities Inc.	-	929,541

First Leaside Finance Inc.
Notes to the Financial Statements
(Expressed in CAD)
(unaudited)

For the year ended December 31, 2010

Queenston Manor Limited Partnership	-	45
First Leaside Fund	-	362,516
Special Notes Limited Partnership	-	28,886
Greencore Limited Partnership	-	300
First Leaside Visions Management Inc.	-	382
Harmony Townhomes Limited Partnership	-	200
First Leaside Growth Limited Partnership	(0)	38,453
1331607 Ontario Inc.	(1)	36
	$ 14,229,708	$ 19,603,754

	2010	2009
Due to related parties		
First Leaside Expansion Limited Partnership	8,464,217	2,597,844
First Leaside Progressive Limited Partnership	6,160,705	8,171,617
First Leaside Wealth Management Inc.	4,949,254	5,821,141
First Leaside Premier Limited Partnership	2,729,220	3,930,024
First Leaside Elite Limited Partnership	1,995,123	4,220,137
First Leaside Universal Limited Partnership	1,676,809	-
First Leaside Ultimate Limited Partnership	1,058,902	-
First Leaside Advantage Limited Partnership	580,089	-
First Leaside Select Limited Partnership	138,695	775,207
First Leaside Realty II Limited Partnership	55,833	52,972
First Leaside Realty Inc.	55,557	52,158
First Leaside Developments Limited Partnership	4,533	4,509
First Leaside Acquisitions Limited Partnership	-	18,329
First Leaside Entities Limited Partnership	-	412,452
First Leaside Investors Limited Partnership	-	3,733,035
First Leaside Management Inc.	-	78,578
First Leaside Visions I Limited Partnership	-	528
	$ 27,868,937	$ 29,868,531

The loan from First Leaside Wealth Management Inc., the parent of the corporation, is considered to be long-term.

3. Contingency Trust Fund

Pursuant to certain requirements of the Ontario Securities Commission ("OSC") to protect clients of registrants with the OSC, the Company was required to establish a contingency fund with a financial institution. The $10,000 deposit is held in trust by CIBC Mellon Trust and is to be redeemed at any time, if required, to meet authorized claims in the event the Company is unable to meet such claims. Although the Company resigned from membership of MFDA in 2006, the deposit is still being held in the event of future claims against members of MFDA.

4. Income Taxes

As at December 31, 2010, the Company had non-capital losses of approximately $1,700,000, which expire starting in 2011. A valuation allowance has been recorded against the full amount of the future tax asset relating to these losses.

5. Financial Instruments

(a) Fair value of financial instruments

The carrying values of cash and cash equivalents and accounts receivables approximate their fair values due to the immediate or short-term maturities of these financial instruments.

The fair value of the amount due from and to related parties could not be reasonably calculated as no comparable commercial terms are obtainable.

(b) Interest rate risk

The company is exposed to interest rate risk from fluctuations in interest rates. This risk is managed by having fixed rates on related party balances.

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument denominated in a foreign currency will fluctuate because of changes in foreign exchange rates.

(d) Credit risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligation. The Company is exposed to the risk that third parties that owe it money or other assets will not perform their obligations.

Management monitors the collectability of receivables and estimates an allowance for doubtful accounts. It is the Company's policy to provide an allowance against all doubtful accounts.

Credit risk is managed in a number of ways. Management applies certain credit standards, conducts ongoing financial reviews with respect to clients and monitors credit exposure to individual counterparties on an ongoing basis.

(e) Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Management oversees the Company's liquidity risk management program to ensure that the Company has access to enough readily available funds to cover its financial obligations as they come due and to sustain and grow its assets and

The Company holds its cash and cash equivalent balances with a number of highly rated financial institutions. All cash and cash equivalent balances are short term.

This is **Exhibit "H"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

106.

First Leaside Management Inc.

(A Canadian Corporation)

Financial Statements
(unaudited)

December 31, 2010

First Leaside Management Inc.

Balance Sheet
(Expressed in Canadian dollars)

as at December 31, 2010, with comparative figures for 2009
(unaudited)

	2010	2009
Assets		
Cash	$ 2,447	$ 16,360
Subscription receivable	100	100
Prepaids and deposits	1,870	56,950
Due from affiliated companies	12,501	81,323
Investments	125	103
Income taxes receivable	37,240	-
	$ 54,283	**$ 154,836**
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	$ 6,981	$ 55,870
Income taxes payable	-	12,173
Due to affiliated companies	61,998	5,013
	68,979	73,056
Capital stock	100	100
Retained Earnings	(14,796)	81,681
	$ 54,283	**$ 154,836**

First Leaside Management Inc.

Statement of Income and Retained Earnings
(Expressed in Canadian dollars)

For the year ended December 31, 2010 with comparatives for 2009
(unaudited)

		2010		2009
Revenue				
Property Management Fees	$	47,455	$	32,999
Interest		2,230		5,250
		49,685		38,250
Expenses				
Professional fees		148,822		-
Salaries & benefits		29,382		-
Administrative expense		2,874		1,022
Unrealized foreign exchange (gain)/loss		1,207		5
Interest Expense		1,068		1,091
		183,353		2,118
Net Income (loss) before income tax		(133,668)		36,132
Provision for Income Tax		(37,192)		12,173
Net Income for the year		**(96,476)**		**23,959**
Retained earnings, beginning of year		**81,681**		**57,722**
Retained earnings, end of year	**-$**	**14,796**	**$**	**81,681**

This is **Exhibit "I"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

109.

First Leaside Insurance Inc.

Financial Statements
(unaudited)

December 31, 2011

110.

First Leaside Insurance Inc.

Balance Sheet
(Expressed in Canadian dollars)

Year ended December 31, 2011
(unaudited)

		2011	2010
Assets			
Cash and cash equivalents		2,276	9
Account receivable		123	100
Advances to affiliates		-	-
Prepaids		2,446	2,532
Incorporation costs		-	4,819
		4,845	**7,460**
Liabilities and Shareholder's Equity			
Liabilities:			
	Accounts Payable and Accrued Liabilities	13,032	-
		13,032	-
Equity			
	Capital stock	100	100
	Retained earnings	(8,287)	7,360
		(8,187)	7,460
		4,845	**7,460**

First Leaside Insurance Inc.

Statement of Operations
(Expressed in Canadian dollars)

Year ended December 31, 2011
(unaudited)

	2011	2010
Revenue		
Commission revenue	55,191	-
Interest revenue	46	-
	55,237	
Expenses		
Operating expenses	34,884	16,976
Income taxes		
	34,884	16,976
Net Income	**20,353**	**(16,976)**

First Leaside Insurance Inc.

Statement of Equity
Year ended December 31, 2011
(Expressed in Canadian dollars)
(unaudited)

	2011	2010
Equity, beginning of year	7,360	-
Contributions - Current	(36,000)	24,336
Retained Earnings	20,353	(16,976)
Equity, end of year	**(8,287)**	**7,360**

This is **Exhibit "J"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

113.

First Leaside Accounting and Tax Services Inc.

(A Canadian Corporation)

Financial Statements
(unaudited - prepared by management)

December 31, 2010

First Leaside Accounting and Tax Services Inc.

Balance Sheet
(Expressed in Canadian dollars)

December 31, 2010, with comparative figures for 2009
(unaudited - prepared by management)

	2010	2009
Assets		
Current		
Cash	$ 1,087,369	$ 5,064
Accounts receivable	9,405	7,519
Prepaid expenses and deposits	4,974	5,390
Deferred financing costs, net	36,730	-
Due from related parties	6,572	146,908
	1,145,050	164,881
Investments	2,679,706	1,033,570
Capital assets, net	4,190	5,576
	$ 3,828,946	**$ 1,204,027**
Liabilities and Shareholders' Equity		
Current		
Accounts payable	$ 30,637	$ 879
Due to related parties	2,109,909	791,352
Bank loan	274,100	-
Income tax payable	4,672	-
	2,419,318	792,231
Bank loan	855,061	-
	3,274,379	792,231
Shareholders' Equity		
Common shares	100	100
Retained earnings	554,466	411,696
	$ 3,828,946	**$ 1,204,027**

First Leaside Accounting and Tax Services Inc.

Statement of Income and Retained Earnings
(Expressed in Canadian dollars)

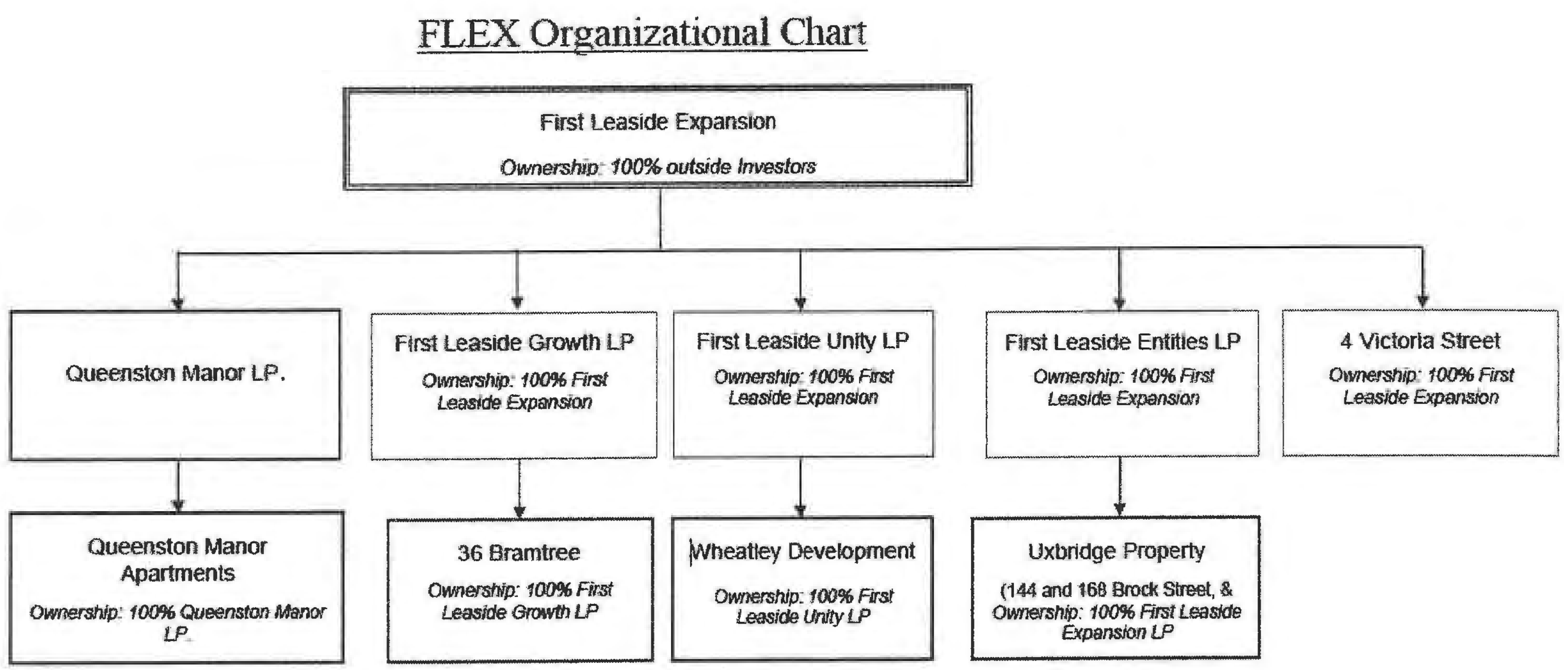
For the year ended December 31, 2010, with comparative figures for 2009
(unaudited)

	2010	2009
Revenue		
Revenue	$ 274,418	$ 48,348
Investment in swap	133,438	96,570
Gain (loss) on unrealized foreign exchange	(834)	37
	407,022	144,956
Expenses		
Operating Expenses:		
Salaries	150,000	-
Interest	82,470	25,938
Office and administration	21,714	15,503
Professional fees	2,474	2,941
Depreciation	2,138	1,983
	258,796	46,365
Income before taxes	148,226	98,591
Provision for Income Tax	5,456	2,406
Net Income for the year	**142,770**	**96,185**
Retained earnings, beginning of year	**411,696**	**315,511**
Retained earnings, end of year	**$ 554,466**	**$ 411,696**

This is **Exhibit "K"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....
A Commissioner For Taking Affidavits

B. FLEX Organizational Chart



This is **Exhibit "L"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

EXHIBIT "L"

Liens Claimed against Victoria Street Building, 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.

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**		

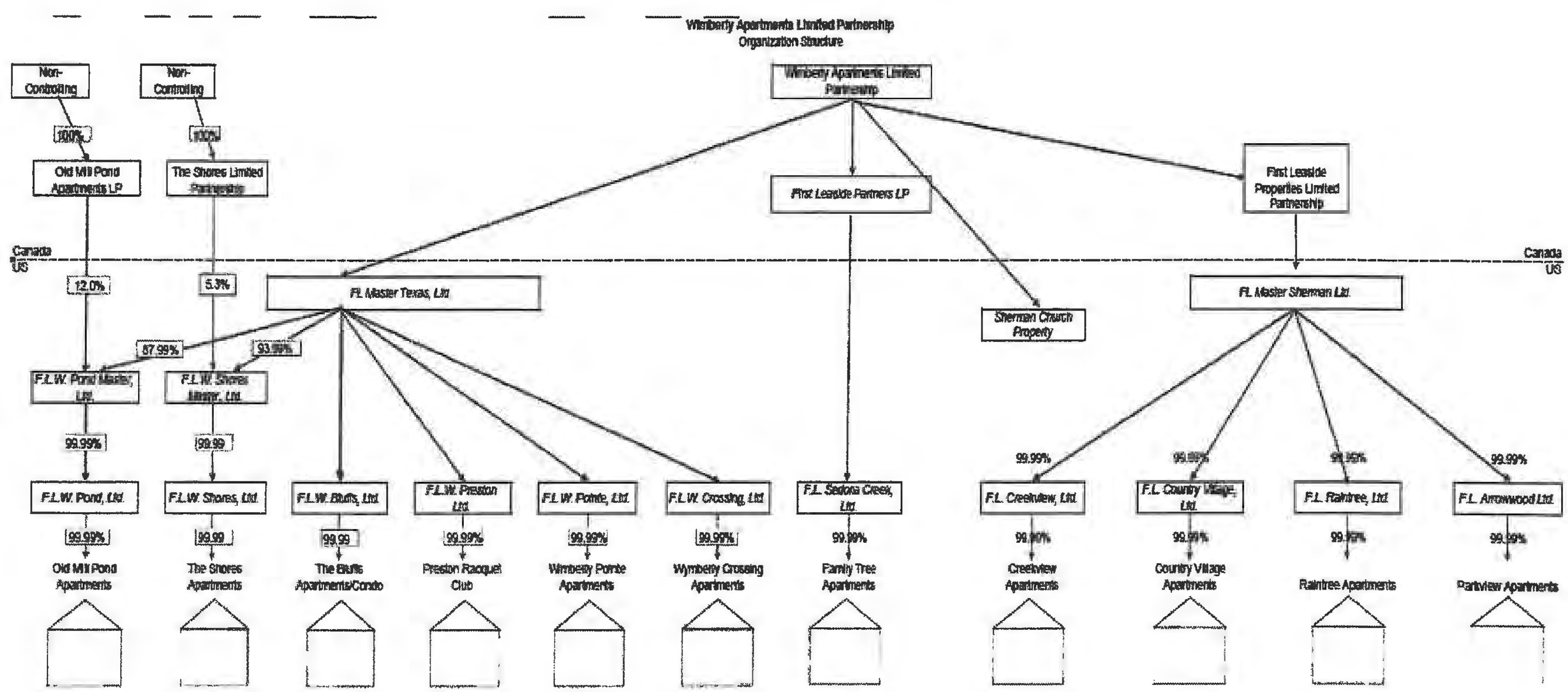
* Lien is registered against 144 Brock St. property only.

This is **Exhibit "M"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

B. WALP Organizational Chart



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This is **Exhibit "N"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

120.

First Leaside Realty Limited Partnership

(A Canadian Limited Partnership)

Non-consolidated Financial Statements
(unaudited)

December 31, 2010

121.

First Leaside Realty Limited Partnership

Non-consolidated Balance Sheet
(Expressed in Canadian dollars)

December 31, 2010 and 2009
(unaudited)

	2010	2009
Assets		
Current Assets		
Cash	34,611	25,764
Subscription receivable	1,315	-
Loans to affiliates (note 5)	342,321	185,257
Investments	854,360	790,527
Notes receivable (note 6)	-	-
	1,232,607	**1,001,548**
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	237,814	150,391
Other Liabilities		
Deficiency in investments	182,942	182,942
	420,756	333,333
Equity	811,852	668,215
	1,232,607	**1,001,548**

-

First Leaside Realty Limited Partnership

Non-consolidated Statement of Operations
(Expressed in Canadian dollars)

Year ended December 31, 2010 and 2009
(unaudited)

	2010	2009
Revenue		
General Partners Advisory Fee	-	-
Other Income	243,663	190,261
	243,663	190,261
Expenses		
Corporate Finance Fee	-	-
Financial Advisory Fee	-	-
Administration	26,659	42,911
Amortization	-	-
	26,659	42,911
Share of loss on investments	(63,833)	(10,147)
Net Income (Loss)	**280,836**	**157,496**

First Leaside Realty Limited Partnership

Statement of Deficit
(Expressed in Canadian dollars)

Year ended December 31, 2010 and 2009
(unaudited)

	2010			2009
	General Partner	Limited Partners	Total	
Equity, beginning of year	7,617	660,598	668,215	604,216.00
Contributions	-	-	-	-
Loss for the year	2,808.36	278,028.11	280,836	157,496.48
Distributions		(137,199.09)	(137,199)	(93,498)
Deficit, end of year	**10,425**	**801,427**	**811,852**	**668,215**

124.

Draft - Prepared by Management

First Leaside Realty II Inc.

(A Canadian Corporation)

Non-consolidated Financial Statements
(unaudited)

September 30, 2011

First Leaside Realty II Inc.

Draft - Prepared by Management

Non-consolidated Balance Sheet
(Expressed in Canadian dollars)

September 30, 2011, with comparative figures for December 31, 2010
(unaudited)

	2011	2010
Assets		
Current Assets		
Cash	$ 5,201	$ 5,116
Subscription receivable	313	313
Loans to affiliates	172,751	163,979
Notes receivable	89,918	89,918
	268,183	259,326
Other Assets		
Investments in Limited Partnerships	250,618	229,464
Investment in 1056971 Ontario Inc.	100	100
Prepaids and deposits	-	-
Deferred financing costs, net of accumulated amortization	2,188	2,188
Incorporation costs, net	81	81
Capital assets, net of accumulated amortization	11	11
	$ 521,181	$ 491,170
Liabilities and Shareholders' Equity		
Liabilities		
Accounts payable and accrued liabilities	-	-
Due to affiliates	$ 1,899,084	$ 1,815,658
	1,899,084	1,815,658
Capital stock		
Unlimited number of common shares authorized		
1,610 common shares issued	1,610	1,610
Equity	(1,379,512)	(1,326,099)
	$ 521,181	$ 491,170

126-

First Leaside Realty II Inc.

Draft - Prepared by Management

Non-consolidated Statement of Operations
(Expressed in Canadian dollars)

Nine months ended September 30, 2011, with comparative figures for the year ended December 31, 2010
(unaudited)

		2011		2010
Revenue				
Other Income	$	24,975	$	27,611
Unrealized Foreign Exchange Gain		-		3,163
		24,975		30,773
Expenses				
Interest expense		78,352		95,909
Administration		37		2
Amortization		-		255
Income tax (recovery)				(57,400)
Share of loss on investment in Limited Partnerships		-		60,307
Net Income (Loss) for the year	**$**	**(53,413)**	**$**	**(68,300)**

First Leaside Realty II Inc.

Draft - Prepared by Management

Statement of Deficit
(Expressed in Canadian dollars)

Nine months ended September 30, 2011, with comparative figures for the year ended December 31, 2010
(unaudited)

	2011	2010
Deficit, beginning of year	$ (1,326,099)	$ (1,257,799)
Loss for the year	(53,413)	(68,300)
Deficit, end of year	**$ (1,379,512)**	**$ (1,326,099)**

This is **Exhibit "O"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

128.

First Leaside Acquisitions Limited Partnership

(A Canadian Limited Partnership)

Financial Statements
(unaudited)

December 31, 2010

First Leaside Acquisitions Limited Partnership

Balance Sheet
(Expressed in Canadian dollars)

December 31, 2010 and 2009
(unaudited)

	2010	2009
Assets		
Cash	12,814	42,453
Due from related parties (note 4)	-	18,329
Investments (note 2)	768,350	512,487
	781,164	**573,269**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	46,941	36,940
Due to related parties	203,252	130,646
Partners' Equity (deficiency)	530,972	405,683
	781,165	**573,269**
	(1.08)	**-**

First Leaside Acquisitions Limited Partnership

Statement of Operations
(Expressed in Canadian dollars)

Year ended December 31, 2010 and 2009
(unaudited)

	2010	2009
Revenue		
Revenue:		
Interest and other income	75,611	40,184
	75,611	40,184
Expenses		
Operating Expenses:		
Administration	48,009	41,602
Gain on foreign exchange	5,936	11,677
	53,945	53,278
Gain/ loss on disposal of investment	-	82,911
Gain/(loss) on investment	-	483
	-	83,394
Net Income (Loss)	**21,666**	**70,300**

First Leaside Acquisitions Limited Partnership

Statement of Partners' Equity
(Expressed in Canadian dollars)

Year ended December 31, 2010 and 2009
(unaudited)

	General Partner	Limited Partners	2010	2009
Partners' equity (deficiency), beginning of year	6,501	399,181	405,683	480,275
Net income (loss)	216	21,450	21,666	70,300
Distributions	(1,529)	(151,369)	(152,898)	(152,434)
Units issued/(redeemed)	7	651	658	7,542
Change in accounting policy (note 1 b)	2,559	253,304	255,863	-
Partners' equity, end of year	**7,754**	**523,217**	**530,972**	**405,683**
			-	(0.08)

First Leaside Acquisitions Limited Partnership

Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2010 and 2009
(unaudited)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net income (loss)	21,666	70,300
Add back/subtract:		
Share of income on investment in LP	-	(483)
Gain on disposal of investment in QM LP	-	(82,911)
Change in other non-cash operating items		
Accounts payable and accrued liabilities	10,000	10,000
	31,666	(3,094)
Financing activities:		
Distributions	(152,240)	(144,892)
Due from related parties	90,935	29,959
	(61,305)	(114,933)
Investing activities:		
Proceeds on disposition of investment in QM LP	-	89,250
Net distributions received on investments	-	43,208
	-	132,458
Increase (decrease) in cash	(29,639)	14,431
Cash, beginning of year	42,453	28,022
Cash, end of year	**12,814**	**42,453**
	0.11	0.11

This is **Exhibit "P"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

First Leaside Investors Limited Partnership

(A Canadian Limited Partnership)

Consolidated Financial Statements
(unaudited)

December 31, 2010

First Leaside Investors Limited Partnership

Consolidated Balance Sheet
(Expressed in Canadian dollars)

December 31, 2010 and 2009
(unaudited)

	2010	2009
Assets		
Revenue-producing properties		
Land	777,926	-
Buildings	2,467,831	-
Appliances and furnishings	549,529	-
Leasehold improvements	30,934	-
	3,826,220	-
Less accumulated amortization	(148,649)	-
	3,677,571	-
Due from related parties	-	3,733,035
Prepaids and deposits	14,845	215,983
Deposits in escrow	104,797	-
In-place leases	43,541	-
Accounts receivable	15,226	-
Cash	621,696	32,936
	4,477,676	**3,981,953**
Liabilities and Shareholders' Equity		
Liabilities:		
Mortgage payable	1,729,923	-
Due to related parties	1,150,695	1,532,154
Accounts payable and accrued liabilities	28,732	7,999
Tenant deposits and prepaid rent	13,204	-
	2,925,044	1,540,153
Partners' Equity	1,552,632	2,441,800
	4,477,676	**3,981,953**
	0.04	**0.69**

First Leaside Investors Limited Partnership

Consolidated Statement of Operations
(Expressed in Canadian dollars)

Year ended December 31, 2010 and 2009
(unaudited)

	2010	2009
Revenue		
Revenue:		
Rental	216,551	-
Interest and other	198,918	262,344
	415,469	262,344
Expenses		
Operating Expenses:		
Repairs and maintenance	187,557	-
Property taxes	85,618	-
Utilities	40,242	-
Administration	38,485	226,777
Insurance	9,798	-
Property management fees	9,389	-
	371,089	226,777
Net operating income	44,380	35,567
Amortization	189,468	-
Other interest	184,272	13,378
Professional and other fees	124,187	1,174,851
Mortgage interest	44,583	-
Non-controlling interest	(4,291)	-
	538,219	1,188,228
Loss for the year	**(493,840)**	**(1,152,662)**
	(0.00)	(1.00)

First Leaside Investors Limited Partnership

Consolidated Statement of Partners' Equity
(Expressed in Canadian dollars)

Year ended December 31, 2010 and 2009
(unaudited)

			2010	2009
	General Partner	Limited Partners		
Partners' equity, beginning of year	(34,236)	2,476,035	2,441,800	3,927,947
Loss for the year	(4,938)	(488,902)	(493,840)	(1,152,662)
Issue costs	-	-	-	(2,413)
Unit purchase loan receivable	3,993	-	3,993	3,344
Contributions	-	-	-	48,757
Distributions	(3,993)	(395,327)	(399,320)	(383,173)
Partners' equity, end of year	**(39,175)**	**1,591,807**	**1,552,632**	**2,441,800**

First Leaside Investors Limited Partnership

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2010 and 2009
(unaudited)

		2010		2009
Cash provided by (used in):				
Operating activities:				
Loss for the year		(493,840)		(1,152,662)
Items not involving cash:				
Depreciation and amortization		189,468		-
Amortization of deferred financing costs		8,024		-
Change in other non-cash operating items		222,337		(211,983)
		(74,011)		(1,364,645)
Financing activities:				
Contributions, net of unit purchase loan receivable		3,993		52,101
Distributions		(399,320)		(383,174)
Due to/from related parties		3,351,576		1,439,733
Mortgage payments		(22,007)		-
Proceeds from mortgage financing		1,785,625		
Deposits in escrow		(104,797)		-
Deferred financing costs		(41,718)		-
Issue costs		-		(2,413)
		4,573,352		1,106,247
Investing activities:				
Additions to revenue-producing property		(3,826,220)		
Additions to in-place lease		(84,360)		
		(3,910,580)		-
Increase (decrease) in cash		588,760		(258,398)
Cash, beginning of year		32,935		291,333
Cash, end of year		**621,696**		**32,935**
Supplemental cash flow information:				
Interest paid on mortgages	$	40,687	$	-

First Leaside Investors Limited Partnership (the "Limited Partnership") consists of a general partner, First Leaside Realty II Inc., and a number of limited partners holding partnership units. The General Partner is entitled to a 1% share of the income of the Limited Partnership.

The Limited Partnership Agreement provides that the General Partner has unlimited liability for the debts and obligations of the Limited Partnership. The liability of each limited partner is limited to the amount of capital contributed or agreed to be contributed, plus the limited partner's share of undistributed income.

The Limited Partnership was formed for the purpose of financing the acquisition and/or development of residential real estate projects and/or securities in Canada.

1. Significant Accounting Policies

(a) Basis of presentation:
These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. These financial statements include only the assets, liabilities, revenue, expenses and cash flows of the Partnership and do not include other assets, liabilities, revenue, expenses and cash flows of the limited and general partners.

(b) Basis of consolidation:
The consolidated financial statements include the accounts of the Partnership and its wholly owned subsidiaries, Harmony Townhomes Limited Partnership ("Harmony"), Mill Street Limited Partnership ("Mill"). All significant intercompany balances and transactions have been eliminated upon consolidation.

(c) Revenue-producing property:

The revenue-producing property is carried at cost less accumulated amortization. An impairment loss is required to be recognized when the carrying amount exceeds the sum of the undiscounted cash flows expected from its use and disposal. An impairment loss is measured as the amount by which the carrying amount of the revenue-producing property exceeds its fair value.

In accordance with Emerging Issues Committee 140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination, upon the acquisition of a property, a portion of the purchase price is allocated to intangible amounts, including the fair value of in-place tenant leases, above - and below-market leases and tenant relationships.

The revenue-producing property is recorded at cost and amortization has been recorded as follows:

Building	4%	declining balance basis
Leasehold Improvements	5 years	straight-line basis
Appliance and furnishings	20%	declining balance basis
In-place lease	2 years	straight-line basis

1. Significant Accounting Policies (continued)

(d) Revenue recognition:
Revenue includes rents earned from tenants under lease agreements and other incidental income. Rental revenue is recognized on a straight-line basis over the term of the leases or when services are provided.

Interest and other income is recognized on an accrual basis in the period earned.

(e) Income taxes:
Provision has not been made for income taxes as each partner is responsible for the income taxes on its share of the income or loss of the Limited Partnership.

(f) Deferred financing costs:
Financing costs are deferred and amortized on a straight-line basis over the term of the related debt. The related amortization is included in interest expense for the year.

(g) Use of estimates:
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates. Significant estimates are comprised of accruals for liabilities. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized above.

(h) Variable interest entities:

In June 2003, The Canadian Institute of Chartered Accountants ("CICA") issued Accounting Guideline 15 ("AcG-15"), Consolidation of Variable Interest Entities ("VIE"). AcG-15 provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. AcG-15 defines a VIE as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest.

AcG-15 requires the primary beneficiary of a VIE to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIE's expected losses or entitle it to receive a majority of the VIE's expected residual returns or both.

At December 31, 2010, the Limited Partnership holds the majority of its assets through two VIEs, Harmony and Mill. Harmony and Mill were created to acquire, own, develop, operate, lease, manage, finance, and resell residential real estate properties in Ontario. The Limited Partnership is considered to be the primary beneficiary and, therefore, these VIEs are consolidated in these financial statements.

First Leaside Investors Limited Partnership

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010

2. Revenue-producing Properties

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Land	$ 777,926	$ -	$ 777,926	$ -
Building	2,467,831	(81,996)	2,385,835	-
Appliance and furnishings	549,529	(66,137)	483,391	-
Leasehold improvements	30,934	(516)	30,418	-
	$ 3,826,220	(148,649)	$ 3,677,571	$ -

3. Mortgages Payable

The Harmony mortgage payable is secured by the revenue-producing property, bears interest at a fixed rate of 4.18% per annum, is repayable in blended monthly payments of $6,051 and matures on February 1, 2015.

The Mill mortgage payable is secured by the revenue-producing property, bears interest at a fixed rate of 6.6% per annum, the monthly payments are interest only of $3,609 and matures on December 15, 2015, at which time the principle is due. The amount may be repaid in full at any time without penalty.

At December 31, 2010, the mortgage is repayable as to principal as follows:

2011	$ 27,243
2012	28,394
2013	29,593
2014	30,843
2015	1,647,545
	$ 1,763,618
Financing costs, net of accumulated amortization of $243,907	33,695
	$ 1,729,923

The Mill mortgage requires that 13.2% of the principal be held in an interest bearing account, as an interest reserve. Currently $86,625 is being held by First Leaside Nominee Services Inc., as the Custodian and Servicer of the mortgage.

(Expressed in Canadian dollars)

4. Partners' Equity

Pursuant to an offering memorandum, dated July 17, 2008, the General Partner was authorized to issue up to 15,000,000 units of the Partnership.

During 2010, no limited partnership units were issued or redeemed. Total limited partnership units issued and outstanding at December 31, 2010 are 6,653,913 (2009 - 6,653,913), of which 66,539 (1%) (2009 - 66,539) were issued to the General Partner.

Included in partners' equity is $58,580, representing a unit purchase loan from the General Partner, non-interest bearing and due on demand.

5. Related Party Amounts

Except as disclosed elsewhere in these consolidated financial statements, related party transactions and balances include the following:

(a)

Related Party Balances	2010	2009
Due from:		
First Leaside Finance Inc. (FLF)	$ -	$ 3,733,035
	$ -	$ 3,733,035
Due to:		
FLF	$ 1,139,994	$ -
First Leaside Management Inc. (FLMI)	9,389	-
First Leaside Nominee Services Inc.	1,313	-
F.L. Securities Inc. (FLS)	-	1,346,275
First Leaside Wealth Management Inc. (FLWM)	-	185,879
	$ 1,150,695	$ 1,532,154

The above noted entities are related to the Limited Partnership by virtue of common management provided by the indirect owner of FL, and have certain shareholders in common. Amounts due from or to these entities bear interest at 7% per annum and are repayable on demand.

First Leaside Investors Limited Partnership

Notes to Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010

5. Related Party Amounts (continued)

(b)
During the year the following related parties transactions were undertaken:

	2010	2009
Business Development Fees - FLS	$ -	$ 17,221
Promotion Fees - FLS	-	148,087
Acquisition Analysis - FLS	-	825,000
Market Feasibility - FLS	-	250,000
Acquisition Analysis - First Leaside Securities Inc. (FLSI)	-	150,000
Commission on Equity Issue - FLSI	-	2,413
Accounting and Legal - FLWM	28,250	26,250
Administration and IT - FLWM	56,500	52,500
Management fees	9,389	-
Interest expense		
FLS	93,897	6,249
FLWM	73,750	7,129
Interest Income		
FLF	(189,711)	(261,654)
	$ 72,075	$ 1,223,196

(c)
Harmony's revenue-producing property is presently being managed by FLMI, a member of the First Leaside Group of Companies for a fee of 4% of net rent per month for a term expiring February 20, 2016.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Financial Instruments

(d) Fair values of financial instruments:

The fair market value of cash, accounts receivables, deposits in escrow, accounts payable and accrued liabilities and tenant security deposits approximate their carrying values due to the relatively short-term nature of these financial instruments.

As at December 31, 2010 the fair value of the mortgage payable is $1,760,850 based on debt of similar terms and credit risk.

The fair value of amounts due to and from related parties promissory notes payable and due to/from related parties could not be reasonably calculated as no comparable commercial terms are

(Expressed in Canadian dollars)

7. Capital Management

The Limited Partnership's capital management objective is to maximize unitholder returns while ensuring that it is capitalized in a manner which appropriately supports working capital needs and business expansion. The Limited Partnership's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet.

The Limited Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, business expansion and other strategic objectives.

(a) Capital Structure:

The Partnership defines its capital structure to include the following:

Mortgage payable	$ 1,729,923
Due to related parties	1,150,695
Total debt	2,880,618
Cash	621,696
Net debt	2,258,921
Partners' equity	1,552,632
	$ 3,811,553

(b) Financial covenants:

There are no external restrictions on the Partnership's capital.

8. Subsequent event

On March 21, 2011, the Limited Partnership received the second tranche of a financing related to the first mortgage held by TD Bank for the Harmony revenue producing property. The second tranche in the amount of $150,000 was deliverable upon the completion of certain repairs to the property, which were completed by the end of 2010.

This is **Exhibit "Q"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

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DRAFT - July 20, 2011

First Leaside Progressive Limited Partnership

(A Canadian Limited Partnership)

Financial Statements
(unaudited)

December 31, 2010

First Leaside Progressive Limited Partnership

DRAFT - July 20, 2011

Balance Sheet
(Expressed in Canadian dollars)

December 31, 2010 and 2009
(unaudited)

	2010	2009
Assets		
Cash	$ 74,087	$ 1,604,122
Due from related parties (note 3)	6,160,705	8,645,367
Investments in limited partnerships	2,125,132	-
	$ 8,359,924	**$ 10,249,489**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 7,875	$ 4,000
Due to related parties (note 3)	1,420,500	583,506
Partners' Equity (note 2)	6,931,549	9,661,983
	$ 8,359,924	**$ 10,249,489**

First Leaside Progressive Limited Partnership

DRAFT - July 20, 2011

Statement of Operations
(Expressed in Canadian dollars)

For the year ended December 31, 2010
(unaudited)

	2010	2009
Revenue		
Revenue:		
Interest	$ 637,823	$ 78,448
	637,823	78,448
Expenses		
Operating Expenses:		
Professional fees	2,434,250	4,356,175
Administration	1,533	16,356
Interest expense	74,873	9
		-
	2,510,656	4,372,540
Net Income (Loss)	**$ (1,872,834)**	**$ (4,294,092)**

First Leaside Progressive Limited Partnership

DRAFT - July 20, 2011

Statement of Partners' Equity
(Expressed in Canadian dollars)

For the year ended December 31, 2010
(unaudited)

	General Partner	Limited Partners	2010	2009
Partners' equity, beginning of year	$ (42,940)	$ 9,704,923	$ 9,661,983	$ -
Unit purchase loan receivable	8,653	-	8,654	(148,425)
Net income (loss)	(18,728)	(1,854,105)	(1,872,834)	(4,294,092)
Contributions	-	-	-	14,910,400
Issue costs	-	-	-	(738,065)
Distributions	(8,663)	(857,591)	(866,254)	(67,835)
Partners' equity, end of year	**$ (61,678)**	**$ 6,993,227**	**$ 6,931,549**	**$ 9,661,983**

First Leaside Progressive Limited Partnership

DRAFT - July 20, 2011

Statement of Cash Flows
(Expressed in Canadian dollars)

For the year ended December 31, 2010
(unaudited)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ (1,872,834)	$ (4,294,092)
Add back:		
Change in other non-cash operating items	3,875	4,000
	(1,868,959)	(4,290,092)
Financing activities:		
Contributions, net of unit purchase loan receivable	8,654	14,761,975
Distributions	(866,254)	(67,835)
Due to/from related parties	3,321,656	(8,061,861)
Issue costs	-	(738,065)
	2,464,056	5,894,214
Investing activities:		
Investment in limited partnership	(2,125,132)	-
	(2,125,132)	-
Increase (decrease) in cash	(1,530,035)	1,604,122
Cash, beginning of year	1,604,122	-
Cash, end of year	**$ 74,087**	**$ 1,604,122**

This is **Exhibit "R"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

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DRAFT

First Leaside Universal Limited Partnership

(A Canadian Limited Partnership)

Financial Statements
(unaudited)

December 31, 2010

150.

First Leaside Universal Limited Partnership

DRAFT

Balance Sheet
(Expressed in Canadian dollars)

December 31, 2010
(unaudited)

	2010
Assets	
Cash	2,135,670
Due from related parties (note 3)	1,676,809
	3,812,479
Liabilities and Shareholders' Equity	
Liabilities:	
Accounts payable and accrued liabilities	4,000
Due to related parties (note 3)	-
	4,000
Partners' Equity (note 2)	3,808,479
Subsequent Event (note 6)	
	3,812,479

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First Leaside Universal Limited Partnership

DRAFT

Statement of Operations
(Expressed in Canadian dollars)

For the year ended December 31, 2010
(unaudited)

	2010
Revenue	
Revenue:	
Interest (note 3)	41,168
	41,168
Expenses	
Operating Expenses:	
Professional fees (note 3)	1,633,329
Administration	9,866
Interest expense	7
	1,643,202
Net Income (Loss)	**(1,602,034)**

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First Leaside Universal Limited Partnership

DRAFT

Statement of Partners' Equity
(Expressed in Canadian dollars)

For the year ended December 31, 2010
(unaudited)

			2010
	General Partner	Limited Partners	
Partners' equity, beginning of year	-	-	-
Unit purchase loan receivable	(57,550)	-	(57,550)
Net income (loss)	(16,020)	(1,586,013)	(1,602,034)
Contributions	57,990	5,741,000	5,798,990
Issue costs	-	(287,050)	(287,050)
Distributions	(439)	(43,437)	(43,876)
Partners' equity, end of year	**(16,019)**	**3,824,500**	**3,808,479**

First Leaside Universal Limited Partnership

DRAFT

Statement of Cash Flows
(Expressed in Canadian dollars)

For the year ended December 31, 2010
(unaudited)

	2010
Cash provided by (used in):	
Operating activities:	
Net income (loss)	(1,602,034)
Add back:	
Change in other non-cash operating items	4,000
	(1,598,034)
Financing activities:	
Contributions, net of unit purchase loan receivable	5,741,440
Distributions	(43,876)
Due to/from related parties	(1,676,809)
Issue costs	(287,050)
	3,733,705
Increase (decrease) in cash	2,135,670
Cash, beginning of year	-
Cash, end of year	**2,135,670**

First Leaside Universal Limited Partnership

DRAFT

Notes to the Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

First Leaside Universal Limited Partnership (the "Limited Partnership") consists of a general partner, First Leaside Realty II Inc., and a number of limited partners holding partnership units. The General Partner is entitled to a 1% share of the income of the Limited Partnership.

The Limited Partnership Agreement provides that the General Partner has unlimited liability for the debts and obligations of the Limited Partnership. The liability of each limited partner is limited to the amount of capital contributed or agreed to be contributed, plus the limited partner's share of undistributed income.

The Limited Partnership was formed for the purpose of financing the acquisition and/or development of residential real estate projects and/or securities in Canada.

1. Significant Accounting Policies

(a) Basis of presentation:

These financial statements are presented in Canadian dollars and are prepared in accordance with accounting principles generally accepted in Canada. These financial statements include only the assets, liabilities, revenue, expenses and cash flows of the Partnership and do not include other assets, liabilities, revenue, expenses and cash flows of the limited and general partners.

(b) Revenue recognition:

Interest and other revenue, which consists of interest income, is recorded on the accrual basis.

(c) Income taxes

Provision has not been made for income taxes as each partner is responsible for the income taxes on its share of the income or loss of the Partnership.

(d) Financial instruments:

The Canadian Institute of Chartered Accountants has issued Handbook sections on financial instruments that are applicable to the Partnership for the year ended December 31, 2010. Adoption of these new sections is optional for the Partnership. The Partnership has chosen not to adopt the new sections.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount revenue and expenses during the year. Actual results could differ from those estimates.

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First Leaside Universal Limited Partnership

DRAFT

Notes to the Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

2. Partners' Equity

Pursuant to an offering memorandum, dated January 1, 2010 the General Partner was authorized to issue up to 15,000,000 units of the Partnership.

During 2010, the Partnership issued 5,798,989.90 limited partnership units for consideration of $5,741,000, of which $57,989.90 (1%) were issued to the General Partner.

Included in partners' equity is $57,551, representing a unit purchase loan from the General Partner, which is non-interest bearing and due on demand.

3. Related Party Balances and Transactions

Related parties are defined as those entities under common management provided by the indirect owner FLS and have certain shareholders in common.

Except as disclosed elsewhere, related party balances include the following, which bear interest at 7% per annum and are due on demand:

Related Party Balances	2010
Due from:	
First Leaside Finance Inc.	$ 1,676,809
	$ 1,676,809

During the year, the following related party transactions, charged under the authority of the General Partner, were undertaken:

Related Party Transactions	2010
Business Development Fees - FLSI	$ 533,229
Business Development Fees - FLS	339,000
Promotional Fees - FLS	678,000
Commission on Equity Issue - FLSI	287,050
Accounting and Legal - FLWM	22,600
Administration and IT - FLWM	56,500
	$ 1,916,379
Interest Income	
First Leaside Finance Inc.	$ 41,016
	$ 41,016

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Risk Management and Financial Instruments

(a) Interest rate risk:

The Partnership is exposed to interest rate risk from the fluctuation in interest rates. This risk is managed by having fixed rates on related party balances.

(b) Credit and collection risk:

The Partnership regularly monitors the credit risk exposure from related parties by monitoring their financial condition in order to mitigate the likelihood that these exposures will result in actual losses.

(c) Fair values:

The fair market value of cash and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments.

The amount due from the related party could not be reasonably calculated as no comparable commercial terms are obtainable.

5. Capital Management

The Partnerships' capital management objective is to maximize unitholder returns while ensuring that the Partnership is capitalized in a manner which appropriately supports working capital needs. The Partnership's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Partnership consists of partner' equity.

The Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Partnership and other strategic objectives.

Capital Structure

The Partnership defines its capital structure to include cash and partners' equity.

Capital Structure

		2010
Cash	$	(2,135,670)
Partners equity		3,808,479
	$	1,672,809

There are no external restrictions on the Partnership's capital.

6. Subsequent Event

On January 4, 2011, the Partnership acquired an interest in First Leaside Retirement Residence Limited Partnership (FLRRLP). The total amount invested by the Partnership in FLRRLP was $3,500,000 which represented 29.16% of the units issued and outstanding at that time. The purpose of FLRRLP is to acquire an interest in Primetime Living Limited Partnership.

This is **Exhibit "S"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

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F.L. Spring Valley Limited Partnership

(A Canadian Limited Partnership)

Non-Consolidated Financial Statements
(unaudited)

December 31, 2010

F.L. Spring Valley Limited Partnership

Non-Consolidated Balance Sheet
(Expressed in U.S. dollars)

For the year ended December 31, 2010, with comparative figures for 2009
(unaudited)

	2010	2009
Assets		
Cash	16,068	23,104
Investments (note 3)	1,360,555	1,389,276
	1,376,623	**1,412,380**
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	21,000	22,692
Due to related parties (note 5)	1,773,901	1,408,974
Deficiency in investment in Limited Partnership (note 3)	79,866	116,444
Partners' Equity (deficiency)	(498,144)	(135,730)
	1,376,623	**1,412,380**

F.L. Spring Valley Limited Partnership

Non-Consolidated Statement of Operations
(Expressed in U.S. dollars)

For the year ended December 31, 2010, with comparative figures for 2009
(unaudited)

	2010	2009
Revenue		
Revenue:		
Interest and other	59,606	75,482
	59,606	75,482
Expenses		
Operating Expenses:		
Interest and bank charges	109,351	84,343
Loss on foreign exchange	68,338	148,296
Professional fees	22,813	24,181
	200,502	256,820
(Gain)/loss on disposal of investment	28,721	-
(Gain)/Loss on investment	(1,528)	(5,857)
	27,193	(5,857)
Net Loss	**(168,089)**	**(175,481)**

F.L. Spring Valley Limited Partnership

Non-Consolidated Statement of Partners' Equity
(Expressed in U.S. dollars)

For the year ended December 31, 2010, with comparative figures for 2009
(unaudited)

	General Partner	Limited Partners	2010	2009
Partners' equity, beginning of year	(7,192)	(128,538)	(135,730)	249,519
Net loss	(1,681)	(166,408)	(168,089)	(175,481)
Distributions	-	(194,325)	(194,325)	(194,669)
Redemptions	-	0	0	(15,099)
Partners' equity, end of year	**(8,873)**	**(489,271)**	**(498,144)**	**(135,730)**

F.L. Spring Valley Limited Partnership

Statement of Cash Flows
(Expressed in U.S. dollars)

For the year ended December 31, 2010, with comparative figures for 2009
(unaudited)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net loss	$ (168,089)	$ (175,481)
Add back:		
Gain on investment	(1,528)	(5,857)
Loss on disposal of investment	28,721	
Change in other non-cash operating items	(1,692)	3,780
	(142,588)	(177,558)
Financing activities:		
Distributions	(194,325)	(194,669)
Redemptions	-	(15,099)
Due to/from related parties	364,927	392,351
	170,602	182,583
Investing activities:		
Investment in F.L. Spring Valley Ltd.	(35,050)	-
Sale of investment in related party	640,000	-
Purchase of investment in related party	(640,000)	-
	(35,050)	-
Increase (decrease) in cash	(7,036)	5,025
Cash, beginning of year	23,104	18,079
Cash, end of year	**$ 16,068**	**$ 23,104**

F.L. Spring Valley Limited Partnership

Notes to Financial Statements
(Expressed in U.S. dollars)

Year ended December 31, 2010
(unaudited)

1. DESCRIPTIONS OF THE LIMITED PARTNERSHIP

On September 21, 1999, F.L. Spring Valley Limited Partnership, (the "Limited Partnership") was formed for the purpose of holding the Limited Partner's 99% interest in F.L. Spring Valley, Ltd. (the "Texas Partnership"). The General Partner of F.L. Spring Valley Limited Partnership is 1376095 Ontario Inc. and was incorporated on September 21, 1999. The General Partner has a 1% interest in the Texas Partnership while the Limited Partners collectively hold a 99% interest.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

These financial statements are prepared in accordance with accounting principles generally accepted in Canada. These financial statements include only the assets, liabilities, revenue, expenses and cash flows of the Partnership and do not include other assets, liabilities, revenue, expenses and cash flows of the limited and general partners.

(b) Revenue recognition:

Revenue includes investment income earned from investments and interest income.

(c) Investments

The investment in the Texas partnership is recorded on the equity basis. The investments in Wimberly Apartments Limited Partnership is recorded on a cost basis as the Limited Partnership does not have significant influence.

The Partnership accounts for its investment in 640,000 units of the Wimberly Fund under the cost method. The Partnership is related to Wimberly Fund by virtue of common management.

In the event of a permanent decline in the value of this investment, it will be written down to its estimated realizable value and the loss charged to income.

(d) Currency of Financial Statements
These financial statements are presented in U.S. dollars.

(e) Future income taxes:

Provision has not been made for income taxes as each partner is responsible for the income taxes on its share of the income or loss of the Partnership.

(f) Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount revenue and expenses during the year. Actual results could differ from those estimates.

(g) Financial instruments:

The Canadian Institute of Chartered Accountants has issued Handbook sections on financial instruments that are applicable to the Limited Partnership for the year ended December 31, 2010. Adoption of these sections is optional for the Limited Partnership. The Limited Partnership has chosen not to adopt the new sections.

F.L. Spring Valley Limited Partnership

Notes to Financial Statements
(Expressed in U.S. dollars)

Year ended December 31, 2010
(unaudited)

3. INVESTMENT IN LIMITED PARTNERSHIPS

(a) Investment in F.L. Spring Valley, Ltd.

The investment in F.L. Spring Valley, Ltd. (the "Texas Partnership"), which is reported on the equity basis, consists of capital contributions by the Limited Partnership less investment losses reported from the Texas Partnership. Details for the fiscal period ended December 31, 2010 are as follows:

	2010	2009
Equity - Beginning of year	(116,444)	355,980
Share of gain/(loss) on investment	1,528	5,857
Additional contributions	35,050	-
Current distributions received	-	(478,281)
Equity - End of year	(79,866)	(116,444)

(b) Investment in Wimberly Apartments Limited Partnership

During 2010, F.L. Spring Valley Limited Partnership sold a portion of the holdings in Wimberly Apartments Limited Partnership ("WALP"), which is reported on the cost basis. Details for the fiscal period ended December 31, 2010 are as follows:

	2010	2009
Balance - Beginning of year	1,389,276	1,389,276
Disposal	(668,721)	-
Balance - End of year	720,555	1,389,276

(c) Investment in Wimberly Fund

During 2010 F.L. Spring Valley Limited Partnership purchased the following investment in Wimberly Fund. The investment bears interest at 8% and is payable in US dollars.

	2010	2009
Wimberly Fund	640,000	-
Balance - End of year	640,000	-
Total investments	1,360,555	1,389,276

F.L. Spring Valley Limited Partnership

Notes to Financial Statements
(Expressed in U.S. dollars)

Year ended December 31, 2010
(unaudited)

4. PARTNERS' CAPITAL

Pursuant to an offering memorandum, dated May 23, 2003, the General Partner was authorized to issue up to 2,000,000 additional units of the Partnership.

During 2010, no limited partnership units were redeemed, (2009 - 8,628) and there were no limited partnership units were issued (2009 - nil). Total limited partnership units issued and outstanding as at December 31, 2010 and 2009 were 1,233,741.

5. RELATED PARTY TRANSACTIONS

The below noted entities are related to the Partnership by virtue of common management provided by the indirect owner of F.L. Securities Inc. ("FL"). Amounts due from related parties bear interest at 7% per annum and are due on demand. At December 31, 2010, the balances are as follows:

The following amounts are due to related parties:

	2010	2009
First Leaside Finance Inc	1,727,678	1,399,003
WALP	35,951	-
1376095 Ontario Ltd.	9,758	7,806
F.L. Securities Inc.	514	2,165
	1,773,901	1,408,974

During the year, the following related party transactions, charged under the authority of the General Partner, were undertaken:

Related Party Transactions	2010	2009
Accounting and Legal - FLWM	-	10,000
	-	10,000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Holdings of limited partnership units by related parties consist of:

F.L. Securities Inc.	84,843
First Leaside Acquisitions Limited Partnership	159,360
First Leaside Finance Inc.	17,127

6. FAIR VALUES

The fair values of cash, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments.

The fair value of the amount due from the related party could not be reasonably calculated as no comparable commercial terms are obtainable.

7. CAPITAL MANAGEMENT

The Partnerships' capital management objective is to maximize unitholder returns while ensuring that the Partnership is capitalized in a manner which appropriately supports working capital needs. The Partnership's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Partnership consists of long-term debt, and partner' equity.

The Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Partnership and other strategic objectives.

Capital Structure

The Partnership defines its capital structure to include cash and partners' equity.

Capital Structure

	2010	2009
Cash	$ 16,068	$ 23,104
Partners equity	(498,144)	(135,731)
	$ (482,076)	$ (112,627)

There are no material external restrictions on the Limited Partnerships' capital.

This is **Exhibit "T"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

166.

First Leaside Venture Limited Partnership

(A Canadian Limited Partnership)

Financial Statements
(unaudited)

July 31, 2011

First Leaside Venture Limited Partnership

Balance Sheet
(Expressed in Canadian dollars)

July 31, 2011
(unaudited)

		2011
Assets		
Cash	$	693,780
Prepaids and deposits		1,241,001
Due from related parties		185,749
Investment in Vernon property		741,841
	$	**2,862,371**

Liabilities and Shareholders' Equity

Liabilities:		
Accounts payable and accrued liabilities	$	16,572
Due to related parties		516,505
		533,077
Partners' Equity		2,329,294
	$	**2,862,371**

First Leaside Venture Limited Partnership

Statement of Operations
(Expressed in Canadian dollars)

For the period ended July 31, 2011
(unaudited)

		2011
Revenue		
Revenue:		
Interest	$	409
		409
Expenses		
Operating Expenses:		
Professional fees		133,223
Administration expense		5,935
Interest expense		1,502
		140,660
Net Income (Loss)	**$**	**(140,251)**

First Leaside Venture Limited Partnership

Statement of Partners' Equity
(Expressed in Canadian dollars)

For the period ended July 31, 2011
(unaudited)

	General Partner	Limited Partners	2011
Partners' equity, beginning of period	$ -	$ -	$ -
Unit purchase loan receivable	(26,263)	-	(26,263)
Net income (loss) for the period	(1,403)	(138,849)	(140,251)
Contributions	26,378	2,611,432	2,637,810
Issue costs	-	(130,574)	(130,574)
Distributions	(114)	(11,312)	(11,427)
Partners' equity, end of period	**$ (1,402)**	**$ 2,330,696**	**$ 2,329,294**

This is **Exhibit "U"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

170.

First Leaside Visions I Limited Partnership

(A Canadian Limited Partnership)

Financial Statements
(unaudited)

December 31, 2011

First Leaside Visions I Limited Partnership

Balance Sheet
(Expressed in Canadian dollars)

December 31, 2011 and 2010
(unaudited)

	2011	2010
Assets		
Cash	$ 2,947	$ 977,893
Prepaid expenses and deposits	600	-
Promissory note receivable (note 2)	1,110,610	234,532
Venture financing of Ontario start-up companies (note 3)	2,100,103	2,100,049
	$ 3,214,261	**$ 3,312,474**

	2011	2010
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 23,002	$ 23,001
Due to related parties (note 5)	738,496	844,188
	761,498	867,189
Partners' Equity (note 4)	2,452,763	2,445,285
	$ 3,214,261	**$ 3,312,474**

First Leaside Visions I Limited Partnership

Statement of Operations
(Expressed in Canadian dollars)

Year ended December 31, 2011 with comparative figures for 2010
(unaudited)

	2011	2010
Revenue		
Revenue:		
Interest and other (note 5)	$ 38,162	$ 31,471
	38,162	31,471
Expenses		
Operating Expenses:		
Interest expense (note 5)	23,193	73,476
Professional fees (note 5)	5,650	9,650
Administration	1,841	972
	30,684	84,098
Net income (loss) for the year	**$ 7,478**	**$ (52,627)**

First Leaside Visions I Limited Partnership

Statement of Partners' Equity
(Expressed in Canadian dollars)

Year ended December 31, 2011 with comparative figures for 2010
(unaudited)

	General Partner	Limited Partners	2011	2010
Partners' equity, beginning of the year	$ (51,268)	$ 2,496,552	$ 2,445,284	$ 2,497,911
Net income (loss) for the year	75	7,403	7,478	(52,627)
Issue costs	-	-	-	-
Unit purchase loan receivable	-	-	-	-
Contributions	-	-	-	-
Partners' equity, end of the year	**$ (51,193)**	**$ 2,503,956**	**$ 2,452,763**	**$ 2,445,284**

First Leaside Visions I Limited Partnership

Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2011 with comparative figures for 2010
(unaudited)

	2011	2010
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	$ 7,478	$ (52,627)
Add back:		
Non-cash interest on promissory notes receivable	(34,871)	(7,440)
Change in other non-cash operating items	(599)	4,001
	(27,991)	(56,065)
Financing activities:		
Due to/from related parties	(105,693)	165,762
	(105,693)	165,762
Investing activities:		
Investment in promissory notes receivable	(841,208)	(227,092)
Investment in venture financing of Ontario start-up companies	(54)	(49)
	(841,261)	(227,141)
Decrease in cash	(974,946)	(117,444)
Cash, beginning of year	977,893	1,095,337
Cash, end of year	**$ 2,947**	**$ 977,893**

First Leaside Visions I Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

On November 17, 2006, First Leaside Visions I Limited Partnership, (the "Partnership") was formed for the purpose of becoming a registered Ontario Commercialization Investment Fund partnership under Part III.2 of the Community Small Business Investment Funds Act (the "OCIF Program"). The Partnership will raise money by way of an offering to accredited investors and will receive grants pursuant to the OCIF program upon investing in eligible businesses in Ontario, whose primary asset is intellectual property developed at qualifying institutions, all in accordance with the benefits and requirements governing the OCIF program. The Partnership must invest in at least three eligible businesses to qualify for the OCIF program.

The General Partner of First Leaside Visions I Limited Partnership is 2085438 Ontario Inc., and was incorporated on November 2, 2005. The General Partner has a 1% interest in the Partnership while the Limited Partners collectively hold a 99% interest.

1. Significant Accounting Policies

(a) Basis of presentation:

These financial statements are prepared in accordance with accounting principles generally accepted in Canada. These financial statements include only the assets, liabilities, revenue, expenses and cash flows of the Partnership and do not include other assets, liabilities, revenue, expenses and cash flows of the limited and general partners.

(b) Revenue recognition:

Interest and other revenue, which consists of interest income, is recorded on the accrual basis.

(c) Income taxes

Provision has not been made for income taxes as each partner is responsible for the income taxes on its share of the income or loss of the Partnership.

(d) Financial instruments:

The Canadian Institute of Chartered Accountants has issued Handbook sections on financial instruments that are applicable to the Partnership for the year ended December 31, 2010. Adoption of these new sections is optional for the Partnership. The Partnership has chosen not to adopt the new sections.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount revenue and expenses during the year. Actual results could differ from those estimates.

First Leaside Visions I Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

2. Promissory Notes Receivable

During 2010, the Partnership entered into a loan agreement with Omisa Inc. (Omisa) whereby Omisa can borrow up to $250,000 for operations. The loans bear interest at 9% per annum and are due on demand. In the event of any defaults on the loans, the Partnership may convert any portion of the loan outstanding into Class A common shares of Omisa. During 2011, the maximum loan amount was increased to $500,000.

	2011	2010
Principal portion of the loan	$ 544,351	$ 227,092
Interest accrued	32,419	7,440
	$ 576,770	$ 234,532

During the year, the Partnership entered into a loan agreement with Marksman Inc. (Marksman) whereby Omisa can borrow up to $1,400,000 for operations. The loans bear interest at 5% per annum and are due on demand.

	2011	2010
Principal portion of the loan	$ 523,949	$ -
Interest accrued	9,891	-
	$ 533,840	$ -

3. Venture financing of Ontario start-up companies

The OCIF program is designed to provide capital for high-risk technology businesses, engaged in research at post-secondary institutions and research hospitals, at the earliest stages of their development.

The Province of Ontario created this program to:

1) Raise the profile of venture capital support for commercialization at Ontario research-based institutions;

2) Encourage research institutions to partner with accredited investors in the commercialization of research developed by their faculty, staff and students; and,

3) Encourage the investment of capital to support the growth and development of new entrepreneurial firms created as a result of research developed through these institutions.

In 2008, the Partnership invested in four eligible businesses in Ontario, whose primary asset is intellectual property developed at qualifying institutions, all in accordance with the benefits and requirements governing the OCIF program.

First Leaside Visions I Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

3. Venture financing of Ontario start-up companies (continued)

During 2009, the Partnership receive grants from MRI in the amount of $900,000, which represented 30% of the invested capital in the eligible businesses. The grants reduce the carrying value of the investments in the year that they are received.

The carrying value of investments is as follows:

	2011	2010
Greencore Composites Inc.	$ 525,049	$ 525,049
Marksman Celliject Inc. (Marksman)	525,054	525,000
Omisa	525,000	525,000
Metabacus Inc.	525,000	525,000
	$ 2,100,103	$ 2,100,049

4. Partners' Equity

Pursuant to an offering memorandum dated December 1, 2007, the General Partner was authorized to issue up to 50,000,000 units of the Partnership.

During 2011, the Partnership did not issue or redeem any units (2011 - Nil). As of December 31, 2011, there are 2,951,954 (2010 - 2,951,954) limited partner units issued and outstanding, of which 29,520 (2010 - 29,520) were issued to the General Partner.

Included in partners' equity is $29,550, representing a unit purchase loan from the General Partner, which is non-interest bearing and due on demand.

5. Related Party Balances and Transactions

Related parties are defined as those entities under common management provided by the indirect owner FLS and have certain shareholders in common.

Except as disclosed elsewhere, related party balances include the following, which bear interest at 7% per annum and are due on demand:

Related Party Balances	2011	2010
Due from:		
First Leaside Visions LP	$ -	$ -
F.L. Securities Inc.	-	-
First Leaside Visions II LP	-	-
	$ -	$ -

First Leaside Visions I Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

5. Related Party Balances and Transactions (continued)

Related Party Balances		2011		2010
Due to:				
First Leaside Wealth Management Inc. (FLWM)	$	341,492	$	324,119
First Leaside Visions Management Inc. (FLVM)		335,000		405,000
Omisa Limited Partnership		29,104		-
Marksman Limited Partnership		27,250		-
First Leaside Tax Services Inc. (FLTS)		5,650		-
First Leaside Finance Inc. (FLF)		-		115,069
	$	738,496	$	844,188

During the year, the following related party transactions, charged under the authority of the General Partner, were undertaken:

Related Party Transactions		2011		2010
Accounting and Legal - FLWM	$	-	$	-
Tax services - First Leaside Accounting and Tax Services Inc.		5,650		5,650
	$	5,650	$	5,650
Interest Income				
First Leaside Visions LP	$	-	$	20,598
	$	-	$	20,598
Interest Expense				
FLF	$	-	$	31,289
FLWM		-		42,187
	$	-	$	73,476

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

First Leaside Visions I Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

6. Risk Management and Financial Instruments (continued)

(a) Interest rate risk:

The Partnership is exposed to interest rate risk from the fluctuation in interest rates. This risk is managed by having fixed rates on related party balances.

(b) Credit and collection risk:

The Partnership regularly monitors the credit risk exposure from related parties by monitoring their financial condition in order to mitigate the likelihood that these exposures will result in actual losses. The nature and maximum exposure to credit risk as at December 31, 2011 and 2010 is:

	Carrying Amount	
	2011	**2010**
Cash	$ 2,947	$ 977,893
Promissory notes receivable	1,110,610	234,532
	$ 1,113,557	$ 1,212,424

(c) Fair values:

The fair market value of cash and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments.

The amounts due to/from related parties could not be reasonably calculated as no comparable commercial terms are obtainable.

7. Capital Management

The Partnerships' capital management objective is to maximize unitholder returns while ensuring that the Partnership is capitalized in a manner which appropriately supports working capital needs. The Partnership's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Partnership consists of partner' equity.

The Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Partnership and other strategic objectives.

First Leaside Visions I Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

7. Capital Management (continued)

Capital Structure

The Partnership defines its capital structure to include cash and partners' equity.

Capital Structure

	2011	2010
Cash	$ 2,947	$ 977,893
Partners equity	2,452,763	2,445,285
	$ 2,455,710	$ 3,423,178

There are no external restrictions on the Partnership's capital.

181.

First Leaside Visions II Limited Partnership

(A Canadian Limited Partnership)

Financial Statements
(unaudited)

December 31, 2011

First Leaside Visions II Limited Partnership

Balance Sheet
(Expressed in Canadian dollars)

December 31, 2011 and 2010
(unaudited)

	2011	2010
Assets		
Cash	$ 637,323	$ 635,549
Prepaid expense & deposits	600	-
Due from related parties (note 4)	-	2,948
Venture financing of Ontario start-up companies (note 2)	1,575,000	1,575,000
	$ 2,212,923	**$ 2,213,497**

	2011	2010
Liabilities and Partners' Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 14,000	$ 14,001
Due to related parties (note 4)	1,309,618	1,237,637
	1,323,618	1,251,638
Partners' Equity (note 3)	889,305	961,860
	$ 2,212,923	**$ 2,213,497**

First Leaside Visions II Limited Partnership

Statement of Operations
(Expressed in Canadian dollars)

Year ended December 31, 2011 with comparative figures for 2010
(unaudited)

	2011	2010
Revenue		
Revenue:		
Interest and other (note 4)	$ 1,599	$ 3,551
	1,599	3,551
Expenses		
Operating Expenses:		
Interest expense (note 4)	66,331	115,918
Professional fees (note 4)	5,650	9,902
Administration	2,173	5,315
	74,153	131,134
Net Income (Loss) for the year	**$ (72,555)**	**$ (127,583)**

First Leaside Visions II Limited Partnership

Statement of Partners' Equity
(Expressed in Canadian dollars)

Year ended December 31, 2011 with comparative figures for 2010
(unaudited)

	General Partner	Limited Partners	2011	2010
Partners' equity, beginning of the year	$ (1,684)	$ 963,544	$ 961,860	$ 225,225
Net income (loss) for the year	(726)	(71,829)	(72,555)	(127,583)
Issue costs	-	-	-	(45,485)
Unit purchase loan receivable	-	-	-	(9,189)
Contributions	-	-	-	918,892
Partners' equity, end of the year	**$ (2,410)**	**$ 891,715**	**$ 889,305**	**$ 961,860**

First Leaside Visions II Limited Partnership

Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended December 31, 2011 with comparative figures for 2010
(unaudited)

	2011	2010
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	$ (72,555)	$ (127,583)
Add back:		
Change in other non-cash operating items	(600)	(131,001)
	(73,155)	(258,584)
Financing activities:		
Contributions	-	918,892
Grants received	-	675,000
Due to/from related parties	74,929	(1,063,152)
Issue costs	-	(45,485)
	74,929	485,255
Investing activities:		
Investment in venture financing of Ontario start-up companies	-	-
	-	-
Increase in cash	1,774	226,671
Cash, beginning of the year	635,549	408,878
Cash, end of the year	**$ 637,323**	**$ 635,549**

First Leaside Visions II Limited Partnership

Notes to Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011

On November 17, 2006, First Leaside Visions II Limited Partnership, (the "Partnership") was formed for the purpose of becoming a registered Ontario Commercialization Investment Fund partnership under Part III.2 of the Community Small Business Investment Funds Act (the "OCIF Program"). The program is administered by the Ministry of Research and Innovation (MRI). The Partnership will raise money by way of an offering to accredited investors and will receive grants pursuant to the OCIF program upon investing in eligible businesses in Ontario, whose primary asset is intellectual property developed at qualifying institutions, all in accordance with the benefits and requirements governing the OCIF program. The Partnership must invest in at least three eligible businesses to qualify for the OCIF program.

The General Partner of First Leaside Visions II Limited Partnership is 2085438 Ontario Inc., and was incorporated on November 2, 2005. The General Partner has a 1% interest in the Partnership while the Limited Partners collectively hold a 99% interest.

1. Significant Accounting Policies

(a) Basis of presentation:

These financial statements are prepared in accordance with accounting principles generally accepted in Canada. These financial statements include only the assets, liabilities, revenue, expenses and cash flows of the Partnership and do not include other assets, liabilities, revenue, expenses and cash flows of the limited and general partners.

(b) Revenue recognition:

Interest and other revenue, which consists of interest income, is recorded on the accrual basis.

(c) Income taxes

Provision has not been made for income taxes as each partner is responsible for the income taxes on its share of the income or loss of the Partnership.

(d) Financial instruments:

The Canadian Institute of Chartered Accountants has issued Handbook sections on financial instruments that are applicable to the Partnership for the year ended December 31, 2011. Adoption of these new sections is optional for the Partnership. The Partnership has chosen not to adopt the new sections.

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount revenue and expenses during the year. Actual results could differ from those estimates.

(Expressed in Canadian dollars)

2. Venture financing of Ontario start-up companies

The OCIF program is designed to provide capital for high-risk technology businesses, engaged in research at post-secondary institutions and research hospitals, at the earliest stages of their development.

The Province of Ontario created this program to:

1) Raise the profile of venture capital support for commercialization at Ontario research-based institutions;

2) Encourage research institutions to partner with accredited investors in the commercialization of research developed by their faculty, staff and students; and,

3) Encourage the investment of capital to support the growth and development of new entrepreneurial firms created as a result of research developed through these institutions.

In 2009, the Partnership invested in three eligible businesses in Ontario, whose primary asset is intellectual property developed at qualifying institutions, all in accordance with the benefits and requirements governing the OCIF program.

During 2010, the Partnership received grants from MRI in the amount of $675,000, which represented 30% of the invested capital in the eligible businesses. The grants reduce the carrying value of the investments in the year that they are received.

The carrying value of investments is as follows:

	2011	2010
Dossierview Inc.	$ 525,000	$ 525,000
Tyromer Inc.	525,000	525,000
eSight Corp.	525,000	525,000
	$ 1,575,000	$ 1,575,000

First Leaside Visions II Limited Partnership

Notes to Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011

3. Partners' Equity

Pursuant to an offering memorandum dated January 1, 2009, the General Partner was authorized to issue up to 50,000,000 units of the Partnership.

During the year, the Partnership issued Nil (2010 - 918,892) limited partnership units for $Nil (2010 - $918,892), of which Nil (2010 - 9,189) were issued to the General Partner. As of December 31, 2011, there are 1,201,720 (2010 - 1,201,720) limited partner units issued and outstanding.

Included in partners' equity is $12,017 (2010 - $12,017), representing a unit purchase loan from the General Partner, which is non-interest bearing and due on demand.

4. Related Party Balances and Transactions

Related parties are defined as those entities under common management provided by the indirect owner FLS and have certain shareholders in common.

Except as disclosed elsewhere, related party balances include the following, which bear interest at 7% per annum and are due on demand:

Related Party Balances	2011	2010
Due from:		
First Leaside Visions Management Inc. (FLVM)	$ -	$ 2,948
	$ -	$ 2,948

Related Party Balances	2011	2010
Due to:		
First Leaside Finance Inc. (FLF)	$ 1,303,968	$ 1,237,637
First Leaside Accounting & Tax Services Inc.	5,650	-
FLVM	-	-
	$ 1,309,618	$ 1,237,637

(Expressed in Canadian dollars)

4. Related Party Balances and Transactions (continued)

During the year, the following related party transactions, charged under the authority of the General Partner, were undertaken:

Related Party Transactions	2011	2010
Tax services - First Leaside Accounting and Tax Services Inc.	$ 5,650	$ 5,650
	$ 5,650	$ 5,650
Interest Income		
FLVM		$ 2,948
	$ -	$ 2,948
Interest Expense		
FLF	66,331	$ 115,918
	$ 66,331	$ 115,918

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Risk Management and Financial Instruments

(a) Interest rate risk:

The Partnership is exposed to interest rate risk from the fluctuation in interest rates. This risk is managed by having fixed rates on related party balances.

(b) Credit and collection risk:

The Partnership regularly monitors the credit risk exposure from related parties by monitoring their financial condition in order to mitigate the likelihood that these exposures will result in actual losses. The nature and maximum exposure to credit risk as at December 31, 2011 and 2010 is:

	Carrying Amount	
	2011	2010
Cash	$ 637,323	$ 635,549
Due from related parties	-	2,948
	$ 637,323	$ 638,497

5. Risk Management and Financial Instruments (continued)

(c) Fair values:

The fair market value of cash and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments.

The amounts due to/from related parties could not be reasonably calculated as no comparable commercial terms are obtainable.

6. Capital Management

The Partnerships' capital management objective is to maximize unitholder returns while ensuring that the Partnership is capitalized in a manner which appropriately supports working capital needs. The Partnership's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Partnership consists of partner' equity.

The Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Partnership and other strategic objectives.

Capital Structure

The Partnership defines its capital structure to include cash and partners' equity.

Capital Structure

	2011	2010
Cash	$ 637,323	$ 635,549
Partners equity	889,305	961,860
	$ 1,526,629	$ 1,597,410

There are no external restrictions on the Partnership's capital.

This is **Exhibit "V"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

First Leaside Mortgage Fund

Financial Statements

(unaudited - prepared by management)

June 30, 2011

First Leaside Mortgage Fund

Balance Sheet
(Expressed in Canadian dollars)

as at June 30, 2011, with comparative figures as at December 31, 2010
(unaudited)

	2011	2010
Assets		
Cash	$ 390,945	$ 596,144
Due from related parties	4,699,982	3,563,348
Mortgages receivable	5,815,000	5,300,000
	$ 10,905,927	**$ 9,459,492**
Liabilities and Shareholders' Equity		
Due to related parties	2,417	2,311
	2,417	2,311
Unitholder's equity	10,903,510	9,457,182
	$ 10,905,927	**$ 9,459,492**
	-	-

First Leaside Mortgage Fund

Statement of Operations
(Expressed in Canadian dollars)

for the period ended June 30, 2011 with comparative figures for the year ended December 31, 2010
(unaudited)

	2011	2010
Revenue		
Interest revenue	$ 333,256	$ 89,690
Expenses		
Operating expenses	8,583	15,062
Net Income for the year	**$ 324,673**	**$ 74,628**

First Leaside Mortgage Fund

Statement of Unitholders' Equity
June 30, 2011

for the period ended June 30, 2011 with comparative figures for the year ended December 31, 2010
(unaudited)

	2011	2010
Unitholders' equity, beginning of period	$ 9,457,182	$ -
Net income	324,673	74,628
Issuances	1,531,530	10,081,932
Issue costs	(77,827)	(504,097)
Distributions	(332,048)	(195,282)
Unitholders' equity, end of period	$ 10,903,510	$ 9,457,182

This is **Exhibit "W"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

195

First Leaside Select Limited Partnership

(A Canadian Limited Partnership)

Financial Statements
(unaudited)

December 31, 2010

196

First Leaside Select Limited Partnership

Balance Sheet
(Expressed in U.S. dollars)

December 31, 2010
(unaudited)

		2010		2009
Assets				
Cash	$	23,876	$	29,491
Due from related parties		139,449		737,581
	$	**163,325**	**$**	**767,072**
Liabilities and Shareholders' Equity				
Liabilities:				
Accounts payable and accrued liabilities	$	4,022	$	15,126
Due to related party		-		150,000
		4,022		165,126
Partners' Equity		159,303		601,946
	$	**163,325**	**$**	**767,072**
		-		-

First Leaside Select Limited Partnership

Statement of Operations
(Expressed in U.S. dollars)

For the year ended December 31, 2010
(unaudited)

	2010	2009
Revenue		
Revenue:		
Interest and other	$ 42,537	$ 65,691
	42,537	65,691
Expenses		
Operating Expenses:		
Administration	66,014	52,985
Foreign exchange loss	17,875	47,372
Professional fees	148,513	179,013
	232,403	279,370
Net Income (Loss)	**$ (189,866)**	**$ (213,678)**

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First Leaside Select Limited Partnership

Statement of Partners' Equity
(Expressed in U.S. dollars)

For the year ended December 31, 2010
(unaudited)

	General Partner	Limited Partners	2010	2009
Partners' equity, beginning of year	$ (22,645)	$ 624,591	$ 601,946	$ 1,068,400
Contributions	-	-	-	-
Redemptions	-	-	-	-
GP receivable	2,553	-	2,553	2,553
Net income (loss)	(1,899)	(187,968)	(189,866)	(213,678)
Issue costs	-	-	-	-
Distributions	(2,553)	(252,776)	(255,329)	(255,329)
Partners' equity, end of year	**$ (24,543)**	**$ 183,848**	**$ 159,303**	**$ 601,946**
			0	0

First Leaside Select Limited Partnership

Statement of Cash Flows
(Expressed in U.S. dollars)

For the year ended December 31, 2010
(unaudited)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net income (loss)	(189,866)	(213,678)
Add back:		
Change in other non-cash operating items	(11,105)	2,763
	(200,971)	(210,915)
Financing activities:		
Contributions, net of unit purchase loan receivable	2,553	2,553
Distributions	(255,329)	(255,329)
Due to/from related parties	448,132	466,521
	195,356	213,745
Increase (decrease) in cash	(5,615)	2,830
Cash, beginning of year	29,491	26,661
Cash, end of year	**23,876**	**29,491**

First Leaside Select Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

On November 17, 2005, First Leaside Select Limited Partnership, (the "Limited Partnership") was formed for the purpose of acquiring and/or development of residential real estate projects in the Dallas, Fort Worth Metroplex, Texas, U.S.A. and surrounding areas. The General Partner of First Leaside Select Limited Partnership is 2128054 Ontario Inc., and was incorporated on February 19, 2007. The General Partner has a 1% interest in the Partnership while the Limited Partners collectively hold a 99% interest.

The Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Partnership and other strategic objectives.

The Limited Partnership Agreement provides that the General Partner has unlimited liabilty for the debts and obligations of the Limited Partnership. The liabilty of each limited partner is limited to the amount of capital contributed or agreed to be contributed, plus the limited partner's share of undistributed income.

1. Significant Accounting Policies

(a) Basis of presentation:

These financial statements are presented in U.S. dollars and are prepared in accordance with accounting principles generally accepted in Canada. These financial statements include only the assets, liabilities, revenue, expenses and cash flows of the Partnership and do not include other assets, liabilities, revenue, expenses and cash flows of the limited and general partners.

(b) Prior year change in accounting policies:

Effective January 1, 2009, the partnership adopted the new Handbook Section issued by the Canadian Institute of Chartered Accountants; Section 3064, Goodwill and Intangible Assets, ("Section 3064"). This Section replaced the existing Section 3062, Goodwill and Intangible Assets. The new standard reinforces the principle-based approach to the recognition of costs as an asset and clarify the application of the matching concept of revenue and expenses. The new standards clarify the distinction between assets and expenses and add guidance on the definition of an intangible asset and the recognition of internally generated intangible assets. The application of this standard had no effect on the financial position or results of operations of the Partnership.

In January 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This abstract provides guidance on Handbook Section 3855, Financial Instruments – Recognition and Measurement, in particular, the determination of fair value of certain financial assets and financial liabilities. It establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of this abstract did not have a material impact on the financial position or results of the operations of the Partnership.

(c) Revenue recognition:

Investment income, which consists of interest income, is recorded on the accrual basis.

(d) Income taxes:

A provision has not been made for income taxes as each partner is responsible for the income taxes on its share of the income or loss of the Partnership.

First Leaside Select Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

1. Significant Accounting Policies (continued)

(e) Foreign currency:

Monetary items denominated in foreign currency are translated to United States dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at the rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount revenue and expenses during the year. Actual results could differ from those estimates.

2. Partners' Equity

The Limited Partnership Agreement provides for an unlimited number of limited partnership units. During 2009, no limited partnership units were issued or edeemed. Total limited partnership units issued and outstanding at December 31, 2009 and 2008 were 3,647,565, of which 36,475 (1%) were issued to the General Partner.

Included in partners' deficiency is $30,853 (2008 - $33,406), representing a unit purchase loan from the General Partner, which is non-interest bearing and due on demand.

3. Related Party Amounts

Related parties are defined as those entities under common management provided by the indirect owner FLS and have certain shareholders in common.

Except as disclosed elsewhere, related party balances include the following, which bear interest at 7% per annum and are due on demand:

Related Party Balances	2010	2009
Due from First Leaside Finance Inc.	$ 139,449	$ 737,581
	$ 139,449	$ 737,581
Due to F.L. Securities Inc.	$ -	$ 150,000
	$ -	$ 150,000

First Leaside Select Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

3. Related Party Amounts (continued)

During the year, the following related party transactions, charged under the authority of the General Partner, were undertaken:

Related Party Transactions		2010		2009
Administration and IT - First Leaside Wealth Management Inc.	$	56,500	$	52,500
Accounting, tax and legal - First Leaside Wealth Management Inc.		28,250		26,250
Acquisition analysis - F.L. Securities Inc.		75,000		150,000
Interest expense - F.L. Securities Inc.		8,600		-
	$	168,350	$	228,750
Interest income - First Leaside Finance Inc.	$	42,535	$	65,681
	$	42,535	$	65,681

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Financial instruments:

(a) Interest rate risk:

The Partnership is exposed to interest rate risk from the fluctuation in interest rates. This risk is managed by having fixed rates on amounts due from or to related parties.

(b) Credit and collection risk:

The Partnership regularly monitors the credit risk exposure from related parties by monitoring their financial condition in order to mitigate the likelihood that these exposures will result in actual losses.

(c) Fair values:

The fair values of cash and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments.

The amount due from the related party could not be reasonably calculated as no comparable commercial terms are obtainable.

First Leaside Select Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

Year ended December 31, 2010
(unaudited)

5. Capital management:

The Partnerships' capital management objective is to maximize unitholder returns while ensuring that the Partnership is capitalized in a manner which appropriately supports working capital needs. The Partnership's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet.

The Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Partnership and other strategic objectives.

Capital Structure

The Partnership defines its capital structure to include cash and partners' equity.

Capital Structure

	2010	2009
Cash	$ 23,876	$ 29,491
Partners' equity	159,303	601,946
	$ 183,180	$ 631,437

There are no external restrictions on the Partnership's capital.

This is **Exhibit "X"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

....

A Commissioner For Taking Affidavits

204.

First Leaside Elite Limited Partnership

(A Canadian Limited Partnership)

Financial Statements
(unaudited)

December 31, 2011

First Leaside Elite Limited Partnership

Balance Sheet
(Expressed in U.S. dollars)

December 31, 2011
(unaudited)

	2011	2010
Assets		
Cash	460	41,872
Due from related parties	1,750,458	2,005,955
	1,750,918	**2,047,827**

Liabilities and Shareholders' Equity

	2011	2010
Liabilities:		
Accounts payable and accrued liabilities	3,933	4,024
Due to related parties	86,022	-
	89,955	4,024
Partners' Equity	1,660,962	2,043,805
	1,750,918	**2,047,827**

First Leaside Elite Limited Partnership

Statement of Operations
(Expressed in U.S. dollars)

For the year ended December 31, 2010
(unaudited)

	2011	2010
Revenue		
Revenue:		
Interest and other	131,030	269,685
	131,030	269,685
Expenses		
Operating Expenses:		
Professional fees	32,684	334,439
Administration	56,923	77,934
Financing	1,272	85,659
	90,880	498,032
Net Income (Loss)	**40,150**	**(228,347)**

First Leaside Elite Limited Partnership

Statement of Partners' Equity
(Expressed in U.S. dollars)

For the year ended December 31, 2010
(unaudited)

	General Partner	Limited Partners	2011	2010
Partners' equity, beginning of year	(32,122)	2,075,927	2,043,806	2,733,622
Unit purchase loan receivable	4,273	-	4,273	4,638
Net income (loss)	402	39,748	40,150	(228,347)
Contributions			-	-
Redemptions	-	-	-	-
Issue costs	-	-	-	-
Distributions	(4,273)	(422,993)	(427,265)	(466,108)
Partners' equity, end of year	**(31,721)**	**1,692,682**	**1,660,962**	**2,043,805**

First Leaside Elite Limited Partnership

Statement of Cash Flows
(Expressed in U.S. dollars)

For the year ended December 31, 2010
(unaudited)

	2011	2010
Cash provided by (used in):		
Operating activities:		
Net income (loss)	40,150	(228,347)
Add back:		
Change in other non-cash operating items	(88)	(3,052)
	40,061	(231,399)
Financing activities:		
Contributions, net of unit purchase loan receivable	4,273	4,638
Redemptions	-	-
Distributions	(427,265)	(466,108)
Due to/from related parties	341,519	695,574
Issue costs	-	-
	(81,473)	234,104
Increase (decrease) in cash	(41,412)	2,705
Cash, beginning of the year	41,872	39,167
Cash, end of the year	**460**	**41,872**
	0.00	0.12

First Leaside Elite Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

First Leaside Elite Limited Partnership (the "Limited Partnership") consists of a general partner, 2128054 Ontario Inc., and a number of limited partners holding partnership units. The General Partner is entitled to a 1% share of the income of the Limited Partnership.

The Limited Partnership Agreement provides that the General Partner has unlimited liabilty for the debts and obligations of the Limited Partnership. The liabilty of each limited partner is limited to the amout of capital contributed or agreed to be contributed, plus the limited partner's share of undistributed income.

The Limited Partnership was formed for the purpose of financing the acquisition and/or development of residential real estate projects and/or securities in the Dallas, Fort Worth Metroplex, Texas, U.S.A. and surrounding areas.

1. Significant Accounting Policies

(a) Basis of presentation:

These financial statements are presented in U.S. dollars and are prepared in accordance with accounting principles generally accepted in Canada. These financial statements include only the assets, liabilities, revenue, expenses and cash flows of the Partnership and do not include other assets, liabilities, revenue, expenses and cash flows of the limited and general partners.

(b) Prior year change in accounting policies:

Effective January 1, 2009, the partnership adopted the new Handbook Section issued by the Canadian Institute of Chartered Accountants; Section 3064, Goodwill and Intangible Assets, ("Section 3064"). This Section replaced the existing Section 3062, Goodwill and Intangible Assets. The new standard reinforces the principle-based approach to the recognition of costs as an asset and clarify the application of the matching concept of revenue and expenses. The new standards clarify the distinction between assets and expenses and add guidance on the definition of an intangible asset and the recognition of internally generated intangible assets. The application of this standard had no effect on the financial position or results of operations of the Partnership.

In January 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This abstract provides guidance on Handbook Section 3855, Financial Instruments – Recognition and Measurement, in particular, the determination of fair value of certain financial assets and financial liabilities. It establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of this abstract did not have a material impact on the financial position or results of the operations of the Partnership.

(c) Revenue recognition:

Interest and other revenue, which consists of interest income, is recorded on the accrual basis.

(d) Income taxes

Provision has not been made for income taxes as each partner is responsible for the income taxes on its share of the income or loss of the Partnership.

First Leaside Elite Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

1. Significant Accounting Policies (continued)

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount revenue and expenses during the year. Actual results could differ from those estimates.

(f) Foreign currency:

Monetary items denominated in foreign currency are translated to United States dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at the rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(g) Financial instruments:

The Canadian Institute of Chartered Accountants has issued Handbook sections on financial instruments that are applicable to the Partnership for the year ended December 31, 2010. Adoption of these new sections is optional for the Partnership. The Partnership has chosen not to adopt the new sections.

2. Partners' Equity

Pursuant to an offering memorandum, dated January 2, 2008, the General Partner was authorized to issue up to 15,000,000 units of the Partnership.

The Limited Partnership Agreement provides for the issuance of an unlimited number of limited partnership units. During 2010, no limited partnership units were issued (2009 - Nil) and no units were redeemed (2009 - 41,397). Total limited partnership units issued and outstanding at December 31, 2010 are 6,656,686, (2009 - 6,656,686), of which 66,587 (1%) (20089- 66,587) were issued to the General Partner.

Included in partners' equity is $56,442 (2009 - $61,080), representing a unit purchase loan from the General Partner, which is non-interest bearing and due on demand.

3. Related Party Balances and Transactions

The below noted entities are related to the Partnership by virtue of common management provided by the indirect owner of F.L. Securities Inc. ("FL"). Amounts due from related parties bear interest at 7% per annum and are due on demand. At December 31, 2010, the balances are as follows:

Related Party Balances	**2011**	**2010**
Due from:		
First Leaside Finance Inc.	$ 1,750,458	$ 2,005,955
	$ 1,750,458	$ 2,005,955

First Leaside Elite Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

3. Related Party Balances and Transactions (continued)

Related Party Balances		2011		2010
Due to:				
F.L. Securities Inc.	$	-	$	-
First Leaside Wealth Management Inc.		80,257		-
	$	80,257	$	-

During the year, the following related party transactions, charged under the authority of the General Partner, were undertaken:

Related Party Transactions		2011		2010
Promotion Fees - FLS	$	-	$	-
Acquisition Analysis - FLS		-		300,000
Acquisition Analysis - FLWM		-		-
Market Feasibility - FLS		-		-
Accounting and Legal - FLWM		22,600		28,250
Adminstration and IT - FLWM		56,500		56,500
	$	79,100	$	384,750
Interest Income				
First Leaside Finance Inc.	$	131,029	$	269,684
First Leaside Properties LP		-		-
	$	131,029	$	269,684
Interest Expense				
F.L. Securities Inc.	$	-	$	77,077
First Leaside Wealth Management Inc.	$	1,157	$	8,582
First Leaside Accounting & Tax		115		-
	$	1,272	$	85,659

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

First Leaside Elite Limited Partnership

Notes to the Financial Statements
(Expressed in Canadian dollars)

For the year ended December 31, 2011
(unaudited)

4. Risk Management and Financial Instruments

(a) Interest rate risk:

The Partnership is exposed to interest rate risk from the fluctuation in interest rates. This risk is managed by having fixed rates on related party balances.

(b) Credit and collection risk:

The Partnership regularly monitors the credit risk exposure from related parties by monitoring their financial condition in order to mitigate the likelihood that these exposures will result in actual losses.

(c) Fair values:

The fair market value of cash, accounts receivable, amounts due from related parties, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments.

5. Capital Management

The Partnerships' capital management objective is to maximize unitholder returns while ensuring that the Partnership is capitalized in a manner which appropriately supports working capital needs. The Partnership's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Partnership consists of partner' equity.

The Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Partnership and other strategic objectives.

Capital Structure

The Partnership defines its capital structure to include cash and partners' equity.

Capital Structure		**2011**
Cash	$	(460)
Partners equity		1,660,962
	$	1,660,501

There are no external restrictions on the Limited Partnership's capital.

This is **Exhibit "Y"** referred to in the affidavit of **Gregory MacLeod** sworn before me in the City of Toronto, in the Province of Ontario, this **22nd** day of **February, 2012**.

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A Commissioner For Taking Affidavits

213.

First Leaside Premier Limited Partnership

(A Canadian Limited Partnership)

Financial Statements
(unaudited)

December 31, 2010

First Leaside Premier Limited Partnership

Balance Sheet
(Expressed in U.S. dollars)

December 31, 2010
(unaudited)

	2010	2009
Assets		
Cash	$ 32,374	$ 487,699
Due from related parties (note 3)	2,792,707	3,771,568
	$ 2,825,081	**$ 4,259,267**

Liabilities and Shareholders' Equity

	2010	2009
Liabilities:		
Accounts payable and accrued liabilities	$ 8,000	$ 4,000
Due to related parties (note 3)	525,000	615,082
Partners' Equity (note 2)	2,292,081	3,640,185
	$ 2,825,081	**$ 4,259,267**

First Leaside Premier Limited Partnership

Statement of Operations
(Expressed in U.S. dollars)

For the year ended December 31, 2010 with comparatives for 2009
(unaudited)

	2010	2009
Revenue		
Revenue:		
Interest	$ 285,672	$ 35,032
	285,672	35,032
Expenses		
Operating Expenses:		
Professional fees	1,213,750	1,569,338
Administration	1,515	13,950
Interest expense	39,783	-
	1,255,048	1,583,288
Net Income (Loss) for the year	**$ (969,376)**	**$ (1,548,256)**

First Leaside Premier Limited Partnership

Statement of Partners' Equity
(Expressed in U.S. dollars)

For the year ended December 31, 2010 with comparatives for 2009
(unaudited)

			2010	2009
	General Partner	Limited Partners		
Partners' equity, beginning of year	$ (15,483)	$ 3,655,668	$ 3,640,185	$ -
Unit purchase loan receivable	3,826	-	3,826	(55,189)
Net income (loss) for the year	(9,694)	(959,682)	(969,376)	(1,548,256)
Contributions	-	-	-	5,561,077
Issue costs	-	-	-	(275,273)
Distributions	(3,826)	(378,728)	(382,554)	(42,174)
Partners' equity, end of year	**$ (25,177)**	**$ 2,317,258**	**$ 2,292,081**	**$ 3,640,185**

First Leaside Premier Limited Partnership

Statement of Cash Flows
(Expressed in U.S. dollars)

For the year ended December 31, 2010 with comparatives for 2009
(unaudited)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ (969,376)	$ (1,548,256)
Add back:		
Depreciation of revenue-producing property	-	-
Change in other non-cash operating items	4,000	4,000
	(965,376)	(1,544,256)
Financing activities:		
Contributions, net of unit purchase loan receivable	3,826	5,505,888
Distributions	(382,554)	(42,174)
Due to/from related parties	888,778	(3,156,486)
Issue costs	-	(275,273)
	510,050	2,031,955
Investing activities:		
Purchase of revenue-producing property	-	-
	-	-
Increase (decrease) in cash	(455,326)	487,699
Cash, beginning of year	487,699	-
Cash, end of year	**$ 32,374**	**$ 487,699**

First Leaside Premier Limited Partnership

Notes to the Financial Statements
(Expressed in U.S. dollars)

Year ended December 31, 2010
(unaudited)

First Leaside Premier Limited Partnership (the "Limited Partnership") consists of a general partner, First Leaside Realty II Inc., and a number of limited partners holding partnership units. The General Partner is entitled to a 1% share of the income of the Limited Partnership.

The Limited Partnership Agreement provides that the General Partner has unlimited liability for the debts and obligations of the Limited Partnership. The liability of each limited partner is limited to the amount of capital contributed or agreed to be contributed, plus the limited partner's share of undistributed income.

The Limited Partnership was formed for the purpose of financing the acquisition and/or development of residential real estate projects and/or securities in Canada.

1. Significant Accounting Policies

(a) Basis of presentation:

These financial statements are presented in U.S. dollars and are prepared in accordance with accounting principles generally accepted in Canada. These financial statements include only the assets, liabilities, revenue, expenses and cash flows of the Partnership and do not include other assets, liabilities, revenue, expenses and cash flows of the limited and general partners.

(b) Revenue recognition:

Interest and other revenue, which consists of interest income, is recorded on the accrual basis.

Income taxes

Provision has not been made for income taxes as each partner is responsible for the income taxes on its share of the income or loss of the Partnership.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount revenue and expenses during the year. Actual results could differ from those estimates.

First Leaside Premier Limited Partnership

Notes to the Financial Statements
(Expressed in U.S. dollars)

Year ended December 31, 2010
(unaudited)

2. Partners' Equity

Pursuant to an offering memorandum, dated January 1, 2009 the General Partner was authorized to issue up to 15,000,000 units of the Partnership.

During 2010, no limited partnership units were issued or redeemed. Total limited partnership units issued and outstanding at December 31, 2010 are 5,561,077 limited partnership units for consideration of $5,561,077, of which $55,611 (1%) were issued to the General Partner.

Included in partners' equity is $51,363, representing a unit purchase loan from the General Partner, which is non-interest bearing and due on demand.

3. Related Party Balances and Transactions

Related parties are defined as those entities under common management provided by the indirect owner FLS and have certain shareholders in common.

Except as disclosed elsewhere, related party balances include the following, which bear interest at 7% per annum and are due on demand:

Related Party Balances	**2010**	**2009**
Due from:		
First Leaside Finance Inc.	$ 2,792,707	$ 3,771,568
	$ 2,792,707	$ 3,771,568

Related Party Balances	**2010**	**2009**
Due to:		
First Leaside Securities Inc.	$ -	$ 15,082
F.L. Securities Inc.	-	600,000
First Leaside Wealth Management Inc.	525,000	-
	$ 525,000	$ 615,082

First Leaside Premier Limited Partnership

Notes to the Financial Statements
(Expressed in U.S. dollars)

Year ended December 31, 2010
(unaudited)

3. Related Party Balances and Transactions (continued)

During the year, the following related party transactions, charged under the authority of the General Partner, were undertaken:

Related Party Transactions	2010	2009
Acquisition Analysis - FLWM	$ 300,000	$ -
Business Development Fees - FLS	250,000	-
Promotional Fees - FLS	200,000	-
Acquisition Analysis - FLS	150,000	-
Market Feasibility - FLWM	100,000	-
Business Development Fees - FLWM	91,000	-
Administration and IT - FLWM	56,500	52,500
Promotional Fees - FLWM	34,000	-
Accounting and Legal - FLWM	22,600	21,000
Business Development Fees - FLSI	-	491,838
Promotional Fees - FLS	-	600,000
Acquisition Analysis - FLS	-	75,000
Market Feasibility - FLS	-	100,000
Acquisition Analysis - FLSI	-	225,000
Commission on Equity Issue - FLSI	-	275,273
	$ 1,204,100	$ 1,840,611

	2010	2009
Interest Income		
First Leaside Finance Inc.	$ (285,672)	$ (35,032)
	$ (285,672)	$ (35,032)

	2010	2009
Interest expense		
FLS	$ 39,783	$ -
	$ 39,783	$ -

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

First Leaside Premier Limited Partnership

Notes to the Financial Statements
(Expressed in U.S. dollars)

Year ended December 31, 2010
(unaudited)

4. Risk Management and Financial Instruments

(a) Interest rate risk:

The Partnership is exposed to interest rate risk from the fluctuation in interest rates. This risk is managed by having fixed rates on related party balances.

(b) Credit and collection risk:

The Partnership regularly monitors the credit risk exposure from related parties by monitoring their financial condition in order to mitigate the likelihood that these exposures will result in actual losses.

(c) Fair values:

The fair market value of cash and accrued liabilities approximate their carrying values due to the relatively short-term nature of these financial instruments.

The amount due from the related party could not be reasonably calculated as no comparable commercial terms are obtainable.

5. Capital Management

The Partnerships' capital management objective is to maximize unitholder returns while ensuring that the Partnership is capitalized in a manner which appropriately supports working capital needs. The Partnership's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. Capital of the Partnership consists of partner' equity.

The Partnership's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Partnership and other strategic objectives.

Capital Structure

The Partnership defines its capital structure to include cash and partners' equity.

Capital Structure

		2010
Cash	$	(32,374)
Partners equity		2,292,081
	$	2,259,707

There are no external restrictions on the Partnership's capital.