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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

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

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

MOTION RECORD OF THE APPLICANTS (STAY EXTENSION) (returnable March 23, 2012)

March 21, 2012

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TAB 1

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NOTICE OF MOTION (STAY EXTENSION)

(returnable March 23, 2012)

The Applicants will make a motion to a judge presiding over the Commercial Court on Friday, March 23, 2012 at 10:00 a.m., or as soon after that time as the motion can be heard, at the Court House, 330 University Avenue, 8th Floor, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An order, if necessary, validating and abridging the time for service of this notice of motion and motion record and directing that any further service of the notice of motion and motion record be dispensed with such that this motion is properly returnable on March 23, 2012;

2. An order extending the Stay Period as defined in the initial order granted by this Court on February 23, 2012, as amended (the "**Initial Order**"), to June 29, 2012;

3. An order authorizing G.S. MacLeod & Associates Inc., in its capacity as the Chief Restructuring Officer (the "**CRO**") of the Applicants and the Included LPs (as defined in the CRO Affidavit, defined below, collectively, "**First Leaside**"), to enter into marketing and/or listing agreements (with the Monitor's prior written consent), with agents, realtors and/or brokers in furtherance of the sale of First Leaside's real property;

4. An order approving the conduct and activities of the CRO, as they are set out in more detail in the CRO's affidavit dated March 21, 2012 ("**CRO Affidavit**");

5. An order approving the activities of the Monitor as disclosed in the Monitor's first report dated March 21, 2012 ("**First Report**"); and

6. such further and other relief as counsel may advise and this Honourable Court may permit.

THE GROUNDS FOR THE MOTION ARE:

1. The Applicants applied for and were granted protection from creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("**CCAA**") on February 23, 2012 pursuant to the Initial Order. The Initial Order appointed Grant Thornton Limited as monitor ("**Monitor**"), and appointed Fraser Milner Casgrain LLP as representative counsel ("**Representative Counsel**");

2. The Initial Order provides for a general stay of all proceedings against the Applicant ("**Stay Period**");

3. The Stay Period currently expires on March 23, 2012;

4. During the initial Stay Period, First Leaside has worked with the Monitor, mortgagees, investors and other stakeholders to commence the development of a plan for the orderly wind-down of First Leaside's operations and portfolio of assets, including

   (a) developing a detailed tracking mechanism that tracks and records all receipts and disbursements of cash made during these CCAA proceedings;

   (b) working with the Monitor to develop a plan for the marketing and sale of assets owned or controlled by First Leaside;

   (c) working with the Monitor and Representative Counsel to ensure that all stakeholders, including mortgagees, investors, employees (past and current), suppliers, and claimants are receiving information and updates on a timely basis;

(d) working with the Monitor to update cash flow statement(s) for First Leaside;

(e) finalizing First Leaside's 2011 annual financial statements, a task that involves completing over 85 sets of financial statements for the various corporate entities and partnership;

(f) continuing the process of completing T5013's statements for limited partner investors; and

(g) providing ongoing updates to, and seeking input from Representative counsel, concerning the steps being taken to realize value for investors.

5. First Leaside respectfully requests an extension of the Stay Period to June 29, 2012. During this period First Leaside expects to

(a) finalize the terms of sale of certain assets, including the sale of First Leaside's interest in Beverages, Queenston Manor, and 36 Bramtree (each as defined in the CRO Affidavit), and seek Court approval of these divestitures on motion to this Honourable Court;

(b) retain listing agents, realtors and brokers to pursue the marketing and sale of certain other First Leaside assets, including Victoria Street;

(c) finalize the financial statements for all corporate entities, funds and properties owned or controlled by First Leaside;

(d) complete additional tax filing requirements, including the filing of T5013's for all of First Leaside's limited partnerships; and

(e) schedule a town hall meeting and conference call with investors.

6. First Leaside is working diligently and in good faith to effect an orderly wind-down of operations so that all stakeholder interests can be dealt with in one forum, in a consolidated manner, and so that recovery can be maximized;

7. The extension of the Stay Period will provide First Leaside with additional time required to take appropriate steps to maximize value for creditors;

8. First Leaside has and continues to proceed in good faith and with due diligence, and circumstances otherwise exist that make the grant of an extension of the Stay Period appropriate;

9. The grounds set out in the First Report;

10. Section 11 of the CCAA;

11. Rules 2.03, 3.02 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, reg. 194 as amended; and

12. 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 motion:

1. The CRO Affidavit;

2. The First Report; and

3. Such further and other material as counsel may submit and this Honourable Court deem just.

Date: March 21, 2012

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FIRST LEASIDE WEALTH MANAGEMENT INC., et al

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ONTARIO
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Proceedings commenced at Toronto

NOTICE OF MOTION (STAY EXTENSION)
Returnable March 23, 2012

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TAB 2

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AFFIDAVIT OF GREGORY MACLEOD
(sworn March 21, 2012)

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

1. I am the president of G.S. MacLeod & Associates Inc., the court-appointed 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 "A"** hereto (the

9.

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

Background

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

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

4. The Stay Period, as defined at paragraph 19 of the Initial Order, currently expires on March 23, 2012.

5. This affidavit is sworn in support of the motion for an extension of the Stay Period to Friday, June 29, 2012.

6. This affidavit will provide

(a) a description of First Leaside's operations and activities since the date of the Initial Order;

(b) an update with respect to the status of certain of First Leaside's assets which are proposed to be sold in the near term, subject to approval of this Court to be sought on future motion;

(c) a summary of construction lien and trust claims asserted against First Leaside's assets by various parties; and

(d) an update with respect to the status of certain assets held in limited partnerships that are not protected by the CCAA stay of proceedings, but that First Leaside owns, controls, or has an interest in ("**Excluded LP's**").

7. This motion also seeks specific authority for First Leaside, with the consent of the Monitor, to enter into marketing and/or listing agreements with agents, realtors and/or brokers in furtherance of the marketing and sale of First Leaside's real property assets. It is understood that any accepted agreements of purchase and sale will be made conditional upon Court approval.

Overview of Activities

8. First Leaside has been working closely with the Monitor, mortgagees, investors, the Independent Committee of the Board of Directors of FLWM (defined below) and other stakeholders to assess options for First Leaside's assets, each of which must be considered on their own merits, in furtherance of a plan to effect an

orderly wind-down of the Company's operations and portfolio of assets over a period of time and in a manner that will maximize creditor recoveries. Activities during the period of time since the Initial Order include

(a) developing a detailed tracking mechanism that tracks and records all sources and uses of cash completed during these CCAA proceedings;

(b) working with the Monitor to plan for the marketing and sale of First Leaside's assets;

(c) working with the Monitor and Representative Counsel to ensure that stakeholders, including mortgagees, investors, employees (past and current), suppliers, and other claimants are receiving information and updates on a timely basis;

(d) working with the Monitor to update cash flow statement(s) for First Leaside;

(e) finalizing the Company's 2011 annual financial statements, a task that involves completing over 85 sets of financial statements for the various corporate entities and partnerships;

(f) continuing the process of completing T5013 statements for limited partners, which investors require for their personal income tax returns; and

(g) providing ongoing updates to Representative Counsel.

FLWM and its Subsidiaries

9. As at the date of the Initial Order, FLWM was in the process of reducing its workforce by laying off sales staff and certain other personnel considered to be non-essential to continued operations. FLWM has since terminated nine of 19 employees, and is currently operating with the support of 10 salaried employees.

10. The services provided by the remaining FLWM employees are critical to the success of these CCAA proceedings. I am accordingly in the process of working with several of the remaining employees to determine the terms upon which they are prepared to stay on and assist First Leaside throughout the wind-down of operations. To this end, the Company will be working with the Monitor to develop a suitable key employee retention plan ("**KERP**"), which will be discussed with relevant stakeholders. The Applicants anticipate seeking court approval of the KERP within the next month.

11. FLWM and the Monitor have established reporting systems and protocols for cash reporting and maintenance of a rolling cash flow forecast. For the purposes of this motion, the Applicants, with the assistance of the Monitor, have developed a cash flow forecast that extends to the end of the additional Stay Period being sought (i.e., until June 29, 2012).

12. In accordance with paragraph 56 of the Initial Order, the Applicants, in consultation with the Monitor, have worked to develop a billing protocol to ensure the equitable allocation of professional fees and expenses amongst the First Leaside entities subject to these CCAA proceedings. The billing protocol involves having the professionals record their and bill their fees and disbursements in eight separate

categories depending on which part of First Leaside gave rise to such fees and disbursements. The intention of the billing protocol is to ensure, so far as possible, that estate professional costs are properly allocated to the entity or stakeholder interest in respect of which the work undertaken benefits.

13. It is understood that the Applicants, in consultation with the Monitor, are to make recommendation to the Court and seek formal approval of a costs allocation protocol as soon as is practicable.

14. As detailed in my affidavit sworn February 22, 2012, and filed in support of the CCAA application ("**Initial Affidavit**"), FLSI is a wholly owned subsidiary of FLWM. FLSI is a member of the Investment Industry Regulatory Organization of Canada ("**IIROC**").

15. On February 24, 2012 IIROC made an order (the "**IIROC Order**") pursuant to its *Dealer Member Rules* to suspend FLSI's membership. The IIROC Order affirmed, among other things, that FLSI's "Regulatory Capital" (as defined in the IIROC Order) and cash reserves will only be dealt with according to the provisions of the Initial Order unless amended by further order of the court. As a result, the FLSI cash reserves are not fully available to defray costs of administration. A copy of the IIROC Order is attached to this affidavit as **Exhibit "D"**.

16. FLSI has and will continue to cooperate with IIROC in respect of its investigations of FLSI's sales and trading practices. FLSI will also continue to assist its clients in arranging for the transfer of their third party securities to other financial institutions.

17. F.L. Securities Inc. ("**FL Securities**") Inc. is also a wholly owned subsidiary of FLWM. FL Securities is registered with the Ontario Securities Commission as an Exempt Market Dealer ("**EMD**"). The EMD registration remains under voluntary suspension.

18. First Leaside Accounting & Tax Inc. ("**FLAT**") is a wholly owned subsidiary of FLWM. FLAT was incorporated for the purpose of acquiring four small accounting and tax professional service corporations in Alberta and British Columbia between 2008 and 2010. The acquisitions were financed in part by a demand loan to FLAT from the Toronto-Dominion Bank ("**TD**"), which is secured by the assets of the professional corporations. For purposes of compliance with provincial statute governing professional service corporations, the equity ownership of the professional practices resides in a third party corporation that is wholly-owned by a FLWM employee with the requisite professional credentials. However, a trust agreement between FLAT and the professional corporations makes FLAT the sole beneficial equity owner.

19. The professional practices transfer profits to FLAT from time to time, however, FLAT and FLWM have also supported the cash flow of the professional practices over the past year and, in particular, have supported loan servicing requirements as necessary. I am working with the Monitor to examine alternatives to realize the best possible value for FLAT's investment in the practices within a reasonable time frame and will seek the cooperation of TD in this regard.

Disposal of FLWM Art Collection

20. Over the period from December 2007 to May 2011, FLWM purchased fine art with an aggregate cost of $1,965,086 (the "Art Collection"). Shortly prior to my appointment as CRO in December 2011, FLWM took steps to sell portions of the Art Collection. In particular, FLWM sold at auction a portion of the Art Collection with a cost basis of $1,177,557 and realized net proceeds of $581,515.

21. The remaining portion of the Art Collection, which has a cost basis of $787,529 has been located at the residence of David Phillips, the former principal of FLWM. I have asked Mr. Phillips to deliver up this remaining art to FLWM and Mr. Phillips has advised that he will do so as soon as possible. FLWM will then sell the remainder of the Art Collection at public auction. FLWM anticipates that the art will be placed with Waddington's, a Toronto auction house, for sale at a spring 2012 auction.

First Leaside Expansion Limited Partnership ("FLEX")

22. FLEX is one of First Leaside's Canadian real estate LPs. FLEX has a number of subsidiary LPs and general partners. Detailed information related to FLEX is set out in my Initial Affidavit at paragraph 49(a). In summary, FLEX owns several properties, including the following:

(a) direct ownership of a commercial property under development in Uxbridge, Ontario (adjacent properties at Victoria Drive and Brock Street, together referred to herein as "**Victoria Drive**"); and

(b) all of the limited partnership units in the following Included LPs:

(i) First Leaside Growth LP, which owns an industrial property in Brampton, Ontario ("**Bramtree**");

(ii) Queenston Manor LP, which owns a retirement residence in St. Catharines, Ontario (" **Queenston Manor**"); and

(iii) First Leaside Unity LP, which owns a townhouse development in Wheatley, Ontario ("**Wheatley**").

23. Further details on a number of other properties within the FLEX organization are set out below.

Bramtree

24. Bramtree is a fully occupied, 70,000 sq. ft industrial building. First Leaside listed this property through CBRE Canada ("**CBRE**") prior to the commencement of these CCAA proceedings and received an offer prior to the Initial Order that was scheduled to close in late March 2012. However, the purchaser was unable to waive closing conditions and the offer could not be re-negotiated on satisfactory terms. The agreement was terminated and CBRE re-listed the property.

25. CBRE advises, and I believe, that there is significant interest in Bramtree and they expect to be in receipt of several competitive offers for the purchase of the property within the next two weeks. First Leaside intends to negotiate the highest and best offer, which will be accepted subject to Court approval.

17.

Queenston Manor

26. Queenston Manor is a 77-unit, retirement living apartment building. The facility is approximately 97% occupied. First Leaside listed this property through Colliers International ("**Colliers**") prior to the commencement of the CCAA proceedings. Colliers and First Leaside have reviewed multiple offers and have determined that an offer made by Starlight Investments Ltd. ("**Starlight**") is the superior bid. First Leaside and Starlight have recently entered into an agreement of purchase and sale, subject to certain conditions precedent, including Court approval. It is anticipated that Court approval of this transaction will be sought within the next two weeks.

27. Also with respect to Queenston Manor, it should be noted that a mortgagee, Midland Loan Services Inc. ("**Midland**"), opposed the extension of the CCAA stay of proceedings to Queenston Manor General Partner Inc., and has subsequently served a notice of motion seeking leave to appeal to the Court of Appeal from the Initial Order. The Midland appeal has not been perfected, and a date for the hearing of the appeal, if leave be granted, has not been set.

28. Given that Midland takes the position that its mortgage is a closed mortgage, in respect of which penalties would have to be paid if early repayment is allowed, I intend to enter into discussions with Midland to allow the sale to proceed and the mortgage to be repaid.

Victoria Drive

29. FLEX intended to develop the Victoria Drive site in Uxbridge for a new head office for First Leaside. The property occupies 1.04 acres. On this property, FLEX had intended to construct a building with total floor space of 58,128 sq ft., including the basement. However, site development was suspended in November 2011, at the foundation stage, following First Leaside's voluntary cease trade.

30. As noted in my Initial Affidavit, there are a total of eleven construction liens filed against First Leaside entities including FLEX, First Leaside Realty II Inc., and Victoria Drive. The liens total $3,446,276.

31. Eight of the Victoria Drive lien claimants have perfected their liens by commencing actions in the Ontario Superior Court of Justice and registering certificates of action against Victoria Drive. Particulars of the construction liens registered against Victoria Drive, as of March 15, 2012, are set out at **Exhibit "E"** to this affidavit.

32. Several of the lien claimants have provided copies of their statements of claim to counsel for First Leaside. Counsel for First Leaside has accepted service of the statements of claim on the express condition that no statements of defence are required or will be provided during the CCAA stay period.

33. In addition to the construction lien claims described above, two Victoria Drive lien claimants have asserted trust claims under the *Construction Lien Act*, RSO 1990, c. C.30 to funds in the account(s) of FLEX. The particulars of these claims are as follows:

19.

(a) by letter dated February 28, 2012, counsel for Gilbert Steel Limited asserted a trust claim in the amount of $205,538.91; and

(b) by letters dated March 2 and March 12, 2012, counsel for Structform International Limited ("**Structform**") asserted a trust claim with respect to amounts deposited in a FLEX bank account. Structform's trust claims have been formally asserted by way of a motion served Friday, March 16, 2007.

34. Further, counsel for Victoria Drive lien claimant, 792873 Ontario Limited, carrying on business as H & S Equipment ("**H & S Equipment**"), wrote to counsel for First Leaside on February 23, 2012, advising of his client's intention to pursue a motion for a declaration that a "$100,000 security deposit to be trust funds belonging to H & S Equipment". To date, H & S Equipment has not served any motion materials.

35. The Victoria Drive property has been secured, to the extent possible, to preserve foundation structures and to address public safety concerns. The Company has received several enquiries from parties who are interested in acquiring or re-developing the Victoria Drive site. First Leaside is in the process of requesting proposals from qualified real estate brokers to solicit proposals for sale or development of the property. Additional work on this site may need to be undertaken at the site, in consultation with the local municipality, to ensure that safety and other concerns are addressed.

First Leaside Visions I LP ("Visions I") and First Leaside Visions II LP ("Visions II")

36. Visions I and Visions II (collectively, "**Visions**") have made investments in a number of technology start-up companies.

37. At the time that investors put their money into these LPs, they were advised that the term of the investment was five years and no distributions would be paid until five years had passed. The clients were advised that they could receive approximately 70% of their investment back at the end of the term and might enjoy capital appreciation if any of the companies invested in became successful.

38. The 70% figure was premised on receipt of grants from the Ontario Commercialization Investment Fund ("**OCIF**") in the amount of 30% of the money invested in each company. Further, it was anticipated that Visions would receive the benefit of scientific research and experimental development ("**SRED**") credits offered by the Government of Canada.

39. So far, $1,575,000 has been received from the OCIF. In respect of the SRED credits, a total of $2,177,000 was originally expected to be received. To date, Visions I has received approximately $500,000. Although further sums on account of SRED credits will be received, it is unlikely that the full anticipated amount will be forthcoming.

40. Out of the funds already received from these government programs, I believe that a significant portion was used to fund two of the struggling companies in which Visions I had invested, Marksman Celliect Inc. and OMISA Inc.

21.

41. Investors also received tax write offs of approximately 30 to 50% of their investment.

42. The investments made by Visions I are as follows:

(a) 49% interest in OMISA Inc;

(b) 49% interest in Marksman Celliject Inc.;

(c) 35% interest in Metabacus Inc.; and

(d) 10% interest in Greencore Composites Inc.

43. Attached hereto and marked as **Exhibit "F"** is a summary of the investments made by Visions I.

44. The investments made by Visions II are as follows:

(a) 28% interest in Tyromer Inc.;

(b) 12% interest in DossierView Inc.; and

(c) 10% interest in eSight Corp.

45. Attached hereto and marked as **Exhibit "G"** is a summary document which was used to raise funds for Visions II.

46. Each Visions entity typically invested $750,000 in each of these start-up companies.

22.

47. Visions has over $700,000 in cash remaining on hand on account of OCIF proceeds received. I intend to explore the disposal of the interests of Visions I and Visions II in the start-up companies as soon as practicable.

Interests in Other Properties owned by Applicants and Included LPs

48. First Leaside Progressive LP owns a property in Uxbridge municipally known as Cemetery Rd. ("**Cemetery Rd.**"). Cemetery Rd has been held for development as a seniors' residence.

49. First Leaside Investors LP owns properties as follows:

(a) A residential property at Mill St., Uxbridge ("**Mill St.**") that is designated as a historical site and is being held for future re-development; and

(b) A town home development in Tilbury, Ontario ("**Harmony**") that is partly occupied and will be listed for sale.

50. Cemetery Rd. and Mill St. are mortgaged to First Leaside Nominee Services Inc., which is a syndicate of First Leaside investors. Harmony is mortgaged to TD. The mortgages have not been serviced following the date of the Initial Order.

51. First Leaside Spring Valley LP ("**Spring Valley**") owns a commercial strip mall in Dallas, Texas. It is fully occupied and self-supporting. The property will be listed for sale.

52. First Leaside has recently received expressions of interest in respect of each of the properties identified above, and the Company is in the process of updating

valuations and listing the properties for sale, subject to the Monitor's approval of listing agreements, including fee and commission arrangements. Negotiated and accepted sale agreements will be subject to court approval.

Controlling Interests in Operating Businesses

53. First Leaside holds a controlling interest in two business entities that are, themselves, Excluded LPs, namely First Leaside Beverages Limited Partnership ("**Beverages**") and Primetime Living LP ("**PTL**").

Beverages

54. First Leaside holds a controlling 50.45% position in Beverages through Applicants FLWM (26.59%), First Leaside Progressive LP (10.17%), FLWM Holdings LP (11.56%), and F.L. Beverages LP (2.13%). Nominal units are also held in the general partner, 1045515 Ontario Inc. and King Brewery LP. Minority interests are held by current employees and a FLWM director.

55. Beverages acquired the following properties between December 2010 and February 2011 and remains the sole owner or shareholder, as the case may be:

(a) Beer Barons – Based out of Nobleton, Ontario, Beer Barons is an importer and distributor of a German brand beer and also serves as the management arm of Beverages;

(b) King Brewery – Located in Nobleton, Ontario, the brewery has an authentic German decoction which allows it to brew premium craft beer under its own label;

(c) Thornbury Cidery – Thornbury Village Cidery produces "peeler cider" as its flagship product; and

(d) The land and building the cidery operates is located at 90 King Street East in downtown Thornbury.

56. Beverages is in the early stages of its development. Although it has established its beer and cidery brands in the market on a limited basis, it currently operates below break-even and requires operating cash flow support on a monthly basis. Furthermore, it requires significant capital investment over the next 36 months to build productive capacity and to support necessary product marketing initiatives. First Leaside is unable to provide such financial support and, consequently, Beverages' ability to continue as a going concern is in jeopardy.

57. Since December 2011, First Leaside has been approached by five interested parties to discuss the purchase of First Leaside's interest in Beverages. These discussions were initiated prior to the commencement of these CCAA proceedings. All interested parties entered into non-disclosure agreements and conducted due diligence in respect of Beverages' operations.

58. The parties included national and multi-national participants in the brewery and beverages industries as well a locally-based craft brewer. After preliminary due

25.

diligence all parties terminated their investigations due to the small scale of Beverages' operations and/ or the lack of a strategic fit.

59. One party, a financial buyer, recently completed due diligence and presented an expression of interest for consideration. Following negotiation, First Leaside and the party have entered into a formal Letter of Intent for the purchase of the Applicants' interests in Beverages. The Applicants intend to return to court to seek approval of a transaction for the sale of their interest in Beverages.

PTL

60. First Leaside Retirement Residences LP ("**Residences**") is owned by several Applicants, namely FLWM (33.33%), First Leaside Progressive LP (20.83%), First Leaside Universal LP (29.17%), and FLWM Holdings LP (16.67%). Residences' sole asset is a 50.1% ownership interest in PTL. PTL owns and operates two retirement residences in St. Catharines, Ontario as well a commercial properties in British Columbia held for re-development as retirement residences.

61. PTL also manages two retirement residences in Ottawa, Ontario and three retirement residences in Okanagan Valley, British Columbia, that are owned by First Leaside Ventures LP ("**Ventures**"), which is an Excluded LP.

62. The PTL properties are self-supporting at present, although capital investment will be needed for future development. A number of parties have expressed an interest in acquiring Residences' interest in PTL. It is expected that investment bankers and brokers with expertise in this sector will be engaged.

26.

Status of Excluded LPs

63. This section of my affidavit describes the status of assets held in Excluded LP's, including U.S. properties held in Wimberly Apartments LP ("**WALP**") and Canadian retirement residences held in Ventures.

WALP

64. The general partner of WALP, 965010 Ontario Inc., is an Applicant. WALP is an Included LP subject to the Initial Order and stay of proceedings. The operating limited partnerships below WALP, which own the properties in Texas, are not applicants within these CCAA proceedings and are not covered by the stay. They are currently operating in the ordinary course without protection from creditors.

65. WALP is an Ontario limited partnership which holds, through a series of Texas limited partnerships, 11 different apartment complexes in the Dallas/Ft. Worth and Sherman, Texas areas. WALP is the ultimate recipient of revenue generated by these properties.

66. In January 2012, First Leaside listed three of the eleven WALP properties for sale. Several offers to purchase were received in mid-February, just prior to the grant of Initial Order.

67. On March 7 and 8, 2012, I travelled to Texas for the purpose of assessing WALP's operations. During my time in Texas I met with First Leaside's property manager and property brokers/consultants to better understand operational issues,

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cash flow, occupancy rates and capital investment requirements. My observations with respect to the WALP entities at this time are as follows:

(a) none of the 11 WALP properties generate sufficient cash flow to fully support debt service, operations and capital renovations. Some are more challenged than others. My preliminary assessment is that, absent cash flow support, one or more properties may face a critical cash shortfall as early as the summer of 2012;

(b) building renovations that were underway have been suspended in order to conserve cash for mortgage servicing, operations, and more critical maintenance; and

(c) it is necessary to complete one or more of the aforementioned sales in order to generate cash flow for WALP. The decision on whether to reinvest the available proceeds to support other properties or to provide the funds to WALP depends on the planning and analysis outlined below.

68. Recent steps taken to better understand and stabilize WALP operations include the following:

(a) updating 10-week cash flows and 2012 operating budgets for each property;

(b) obtaining current valuations/appraisals for each property;

(c) working with the property manager(s) in an effort to further reduce non-essential expenditure and conserve cash; and

(d) working with our broker/consultants and local advisors to review options to restructure mortgages and / or otherwise develop an exit strategy for the Texas property portfolio.

Ventures

69. Ventures' Okanagan and Ottawa residences were acquired in 2011 and were originally capitalized with limited partnership investments of approximately $5 million. The residences were purchased with a combination of conventional mortgage financing and vendor-take-back debt. It appears the original intent was to raise additional equity capital to de-leverage the properties and to finance property renovations. However, the cease trade in November, 2011, rendered First Leaside unable to raise such additional financing.

70. Although renovation programs were curtailed on the Ottawa properties in December, cash flow deferrals were not sufficient to meet an instalment payment on the KingSett Capital second mortgage on December 31, 2012. As a result, the second mortgage was defaulted, causing a cross-default on the first mortgage held by Canadian Imperial Bank of Commerce. Ventures has not been able to cure the defaults and CIBC and KingSett have reserved their rights under their mortgage agreements. Ventures is discussing sale and refinance opportunities with both mortgagees.

71. Cash flows from the Ottawa properties have not been sufficient to fully meet debt service obligations and capital expenditures in aggregate. As a result, there are arrears

owing to renovation contractors, resulting in one lien having been filed to date, and there are municipal tax arrears.

72. The Okanagan properties are facing similar challenges. The properties are over-leveraged, creating cash flow shortages that have resulted in unpaid renovation costs. Ensuing contractor liens have resulted in mortgage defaults. Ventures is continuing to discuss sale and refinance options with the relevant mortgagee, TD.

73. As described in my Initial Affidavit, First Leaside entered into a term sheet with German firm Bridge Gap Konsult Inc. ("**Bridge Gap**") on February 15, 2012. It was hoped, at the time, that up to $30 million in equity capital could be raised to fund Ventures. As well, Ventures hoped to put in place a $10 million bridge financing facility by March 31, 2012. Bridge Gap has been unable to arrange the bridge financing.

74. Ventures will continue discussions with mortgagees CIBC, KingSett and TD to evaluate options for the sale or re-financing of the Ottawa and Okanagan properties.

75. A number of parties have expressed an interest in acquiring First Leaside's interest in the retirement residences sector. It is expected that investment bankers and brokers with expertise in this sector will be engaged.

Authority to Enter Listing Agreements

76. As previously advised, there is no viable plan to continue First Leaside as a going concern and it is accordingly necessary to pursue an orderly wind-down of operations. To this end, it will be necessary to retain qualified real estate agents,

brokers, and consultants to assist with the marketing and listing for sale of the Applicants' and Included LPs' real property assets.

77. The Company will consult with the Monitor, and seek the Monitor's approval of listing terms, prior to entering into binding agreements to list First Leaside properties for sale. Sale agreements, once reached, will be subject to approval of this Honourable Court on notice to the Service List.

Stay Period Extension

78. The current Stay Period expires on March 23, 2012. The Applicants and Included LPs are requesting an extension of the Stay Period to Friday, June 29, 2012. During this period First Leaside expects to

(a) finalize financial statements for all corporate entities, funds, and properties owned or controlled by First Leaside;

(b) complete all required tax filing requirements, including the filing of T5013's for all of First Leaside's limited partnerships;

(c) finalize deal terms and seek Court approval of agreements for the sale of specific assets, including the First Leaside's interest in Beverages, Queenston Manor and Bramtree;

(d) subject to obtaining Court approval, complete the sale of First Leaside's interests in Beverages, Queenston Manor and Bramtree;

(e) retain agents, realtors, and/or brokers to pursue the marketing, listing and sale of First Leaside assets, including Victoria Drive, Wheatley, Harmony, Spring Valley, Cemetery Rd. and Mill St., all subject to the approval of this Court;

(f) engage with mortgagees to develop and implement an appropriate exit strategy in respect of assets held in Excluded LPs;

(g) schedule one or more town hall meeting and/ or telephone conferences with investors in order to provide information and answers to questions and concerns; and

(h) continue to assist clients to transfer the custody and management of their securities portfolios to other financial institutions.

79. First Leaside is working diligently and in good faith to effect an orderly wind-down of operations so that all stakeholder interests can be dealt with in one forum, in a consolidated manner, and so that recovery can be maximized. As such, I believe that an extension of the CCAA Stay Period to June 29, 2012 is warranted and appropriate.

SWORN before me at the City of Toronto In the Province of Ontario, this 21st day of March, 2012	)))	
A Commissioner, etc.	)))	Gregory MacLeod

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FIRST LEASIDE WEALTH MANAGEMENT INC., et al

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceedings commenced at Toronto

AFFIDAVIT OF GREGORY MACLEOD
(sworn March 21, 2012)

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Lawyers for the Applicants

Legal*7311230.7

This is Exhibit "A" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 21st day of March 2012

....
A Commissioner For Taking Affidavits

Schedule A

Mill Street Limited Partnership
Development Notes Limited Partnerships Special Notes LP
First Leaside Properties LP
First Leaside Realty LP First Leaside Real Estate LP
First Leaside Global LP First Leaside Income LP First Leaside Investors LP First Leaside Optimal LP First Leaside Preferred LP First Leaside Premier LP First Leaside Progressive LP First Leaside Quality LP First Leaside Real Estate LP First Leaside Realty II LP First Leaside Retirement Residences LP First Leaside Superior LP First Leaside Ultimate LP First Leaside Universal LP Uxbridge Development LP First Leaside Retirement Residences Limited Partnership First Leaside Venture Limited Partnership
Wimberly Apartments LP
The Shores LP
Old Mill Pond LP

The Bluffs of Lakewood LP
First Leaside Spring Valley LP
First Leaside Partners LP First Leaside Opportunities LP
Preston Racquet Club Real Estate Limited Partnership Series 910 PA Preston Racquet Club Real Estate Limited Partnership Series 910 PB Preston Racquet Club Real Estate Limited Partnership Series 910 PC Preston Racquet Club Real Estate Limited Partnership Series 910 PD
FL Master Texas Ltd.
FLW Pond Master Ltd.
FLW Shores Master Ltd.
First Leaside Acquisitions LP
Queenston Manor LP
First Leaside Acquisitions 2000 LP
First Leaside Advantage LP
First Leaside Developments LP
First Leaside Elite LP First Leaside Select LP
First Leaside Enterprises LP
B&W LP First Leaside Entities LP
First Leaside Expansion LP
First Leaside Growth LP
First Leaside Operations LP
First Leaside Unity LP

First Leaside Visions I LP First Leaside Visions II LP First Leaside Visions III LP First Leaside Visions IV LP Metabacus LP Greencore LP Marksman Celliect LP OMISA LP Dossierview LP eSight LP Tyromer LP
Place Concorde East LP
Place Concorde West LP
First Leaside Wealth Management LP
First Leaside Technologies LP
F.L. Beverages Group Limited Partnership F.L. Retirement Residences Limited Partnership First Leaside Global Limited Partnership First Leaside Ventures Limited Partnership Special U.S. Notes Limited Partnership FLWM Holdings Limited Partnership

This is Exhibit "B" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 21st day of March 2012

....

A Commissioner For Taking Affidavits

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

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

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

INITIAL ORDER

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

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

SERVICE

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

APPLICATION

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

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

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

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

(c) Cherry Park Retirement Residences Limited Partnership

(d) Orchard Valley Retirement Residences Limited Partnership

(e) The Shores Retirement Residences Limited Partnership

(f) Redwood Retirement Residences (Ottawa) Limited Partnership

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

(h) 480 Metcalfe Street (Ottawa) Limited Partnership

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

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

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

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

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

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RESTRUCTURING

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

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

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

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

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

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

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

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

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

NO PROCEEDINGS AGAINST FIRST LEASIDE OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

CHIEF RESTRUCTURING OFFICER

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

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

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

TRANSFER OF CLIENT ACCOUNTS

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

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

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

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

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

APPOINTMENT OF MONITOR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPOINTMENT OF REPRESENTATIVE COUNSEL

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

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

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

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

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

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SERVICE AND NOTICE

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

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

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

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

GENERAL

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

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

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

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

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

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

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

FEB 24 2012

NB

ABrown

Natasha Brown
Registrar

SCHEDULE "A"—PARTNERSHIPS ENTITLED TO THE BENEFIT OF THIS ORDER

Mill Street Limited Partnership
Development Notes Limited Partnerships Special Notes LP
First Leaside Properties LP
First Leaside Realty LP First Leaside Real Estate LP
First Leaside Global LP First Leaside Income LP First Leaside Investors LP First Leaside Optimal LP First Leaside Preferred LP First Leaside Premier LP First Leaside Progressive LP First Leaside Quality LP First Leaside Real Estate LP First Leaside Realty II LP First Leaside Retirement Residences LP First Leaside Superior LP First Leaside Ultimate LP First Leaside Universal LP Uxbridge Development LP First Leaside Retirement Residences Limited Partnership First Leaside Venture Limited Partnership
Wimberly Apartments LP
The Shores LP
Old Mill Pond LP

The Bluffs of Lakewood LP
First Leaside Spring Valley LP
First Leaside Partners LP First Leaside Opportunities LP
Preston Racquet Club Real Estate Limited Partnership Series 910 PA Preston Racquet Club Real Estate Limited Partnership Series 910 PB Preston Racquet Club Real Estate Limited Partnership Series 910 PC Preston Racquet Club Real Estate Limited Partnership Series 910 PD
FL Master Texas Ltd.
FLW Pond Master Ltd.
FLW Shores Master Ltd.
First Leaside Acquisitions LP
Queenston Manor LP
First Leaside Acquisitions 2000 LP
First Leaside Advantage LP
First Leaside Developments LP
First Leaside Elite LP First Leaside Select LP
First Leaside Enterprises LP
B&W LP First Leaside Entities LP
First Leaside Expansion LP
First Leaside Growth LP
First Leaside Operations LP
First Leaside Unity LP

First Leaside Visions I LP First Leaside Visions II LP First Leaside Visions III LP First Leaside Visions IV LP Metabacus LP Greencore LP Marksman Celljest LP OMISA LP Dossierview LP eSight LP Tyromer LP
Place Concorde East LP
Place Concorde West LP
First Leaside Wealth Management LP
First Leaside Technologies LP
F.L. Beverages Group Limited

Partnership F.L. Retirement Residences Limited Partnership First Leaside Global Limited Partnership First Leaside Ventures Limited Partnership Special U.S. Notes Limited Partnership FLWM Holdings Limited Partnership

This is Exhibit "C" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 21st day of March 2012

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A Commissioner For Taking Affidavits

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

SUPERIOR COURT OF JUSTICE – ONTARIO

COMMERCIAL LIST

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

BEFORE: D. M. Brown J.

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

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

D. Bish, for the Independent Directors

B. Empey, for Investment Industry Regulatory Organization of Canada

J. Grout, for the Ontario Securities Commission

R. Oliver, for Kenaidan Contracting Limited

J. Dietrich, the proposed Representative Counsel for the investors

E. Garbe, for Structform International Limited

N. Richter, for Gilbert Steel Limited

M. Sanford, for Janick Electrick Limited

M. Konyukhova, for Midland Loan Services Inc.

C. Prophet, for the Canadian Imperial Bank of Commerce

HEARD: February 23, 2012

REASONS FOR DECISION

I. Overview: *CCAA* Initial Order

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

II. The applicant corporations

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

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

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

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

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

III. The material events leading to this application

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

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

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

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

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

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

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

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

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

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

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

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

Mr. MacLeod further deposed:

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

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

IV. Availability of *CCAA*

A. The financial condition of the applicants

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Findings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. "Liquidation" ***CCAA***

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

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

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

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

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

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

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

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

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

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

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

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

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[8] *First Investors Corp. (Re)* (1987), 46 D.L.R. (4^{th}) 669 (Alta Q.B.), para. 36.

[9] Houlden, Morawetz & Sarra, *The 2012 Annotated Bankruptcy and Insolvency Act*, N§1, p. 1099.

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

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

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

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

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

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

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

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

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

V. Representative Counsel, CRO and Monitor

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

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

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

VI. Administration and D&O Charges and their priorities

A. Charges sought

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

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

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

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

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

B. Priority of charges

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VII. Other matters

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

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

VIII. Summary

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

D. M. Brown J.

Date: February 26, 2012

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

This is Exhibit "D" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 21st day of March 2012

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A Commissioner For Taking Affidavits

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

In the matter of:

An Expedited Hearing under *Dealer Member Rule 20.42* of the Investment Industry Regulatory Organization of Canada

and

First Leaside Securities Inc.

Order

THIS APPLICATION by the Staff of the Investment Industry Regulatory Organization of Canada (IIROC) coming on for hearing at Toronto, Ontario on Friday, February 24, 2012, pursuant to Dealer Member Rules 20.41, 20.42, and Rule 16 of the Rules of Practice and Procedure, and upon reviewing the materials filed in support; and on hearing counsel for Staff of IIROC, **First Leaside Securities Inc. (FLSI)**, a Dealer Member of IIROC;

THIS HEARING PANEL ORDERS:

1) that FLSI's membership with IIROC be immediately suspended;

2) that FLSI comply with IIROC Dealer Member Rule 600 throughout the suspension period, to the extent it is consistent with the terms of the Initial Order, dated February 23rd, 2012, of the Ontario Superior Court of Justice *In the Matter of the Companies' Creditors Arrangement Act*, and any subsequent Orders in that proceeding;

3) that FLSI immediately cease dealing with the public, including the removal of its website (www.firstleasidesecurities.com);

4) that IIROC Staff may undertake any action to facilitate the orderly transfer of client accounts in cooperation with Penson Financial Services Canada Inc., including liquidating trades except those trades involving securities which are subject to the Cease Trade Agreement with Staff of the Ontario Securities Commission;

5) FLSI shall report to IIROC Staff as directed every 30 days regarding any action taken pursuant to this Order, until such time as all FLSI client accounts have been transferred to third party Member Firms;

6) The risk adjusted capital and minimum capital requirement (together, the "Regulatory Capital") shall be dealt with in accordance with the terms of

the Initial Order of the Ontario Superior Court of Justice *In the Matter of the Companies' Creditors Arrangement Act* of which FLSI was an applicant, dated February 23, 2012 (the "CCAA Order");

7) In the event that FLSI shall desire the Regulatory Capital to be dealt with otherwise than in accordance with the CCAA Order, such other dealing shall only be effected by further Order of the Court in the CCAA proceedings, and FLSI shall consult with IIROC Staff and attempt to seek agreement on the terms of such use of the Regulatory Capital before any motion is brought to (i) amend or vary the CCAA Order in that regard or (ii) seek a further Order in that regard;

8) Upon completion of the transfer of client accounts, and determination of any claims against FLSI, to the satisfaction of IIROC Staff, IIROC Staff may move, without notice to FLSI, for an order terminating the membership of FLSI; and

9) This Order comes into effect **February 24, 2012**.

DATED at Toronto, Ontario, this 24th day of February 2012.

Chair
Ms. Julia Dublin

Ms. Debbie Archer

Mr. David Kerr

This is Exhibit "E" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 21ST day of March 2012

....
A Commissioner For Taking Affidavits

First Leaside Wealth Management Inc.
re First Leaside Ventures LP – Construction Matters
File No. 33695-22

List of Lien Claims (March 15, 2012)

All liens are on PINs 26850-0058, 26850-0059, 26850-60 and 26850-0062 unless otherwise noted.

Lien Claimant	Date	Amount	Notes
Janick Electric Limited	Dec. 9, 2011	$92,695.03	Certificate of Action registered Jan. 23, 2012
Lafarge Canada Inc.	Dec. 13, 2011	$281,795.50	Certificate of Action registered Jan. 27, 2012
Aquanorth Contracting Ltd.	Dec. 23, 2011	$99,440.01	Certificate of Action registered Feb. 15, 2012
792873 Ontario Limited (H&S Equipment)	Dec. 23, 2011	$364,028.23	Certificate of Action registered Jan. 19, 2012
Municipal Mechanical Contractors Limited	Dec. 30, 2011	$94,827.36	Certificate of Action registered Feb. 13, 2012
Gilbert Steel Limited	Dec. 30, 2011	$205,538.91	Certificate of Action registered Feb. 2, 2012
Kenaidan Contracting Ltd.	Jan. 4, 2012	$418,752.21	Certificate of Action registered Feb. 22, 2012
Peto MacCallum Ltd.	Jan. 19, 2012	$13,034.00	Lien on PIN 26850-0060 only
Structform International Limited	Jan. 16, 2012	$1,723,754.66	Certificate of Action registered Feb. 22, 2012
Rounthwaite Dick & Hadley Architects Inc.	Feb. 8, 2012	$139,376.47	Lien on PIN 26850-0059, 26850-60 and 26850-0062 only

This is Exhibit "F" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 21st day of March 2012

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A Commissioner For Taking Affidavits

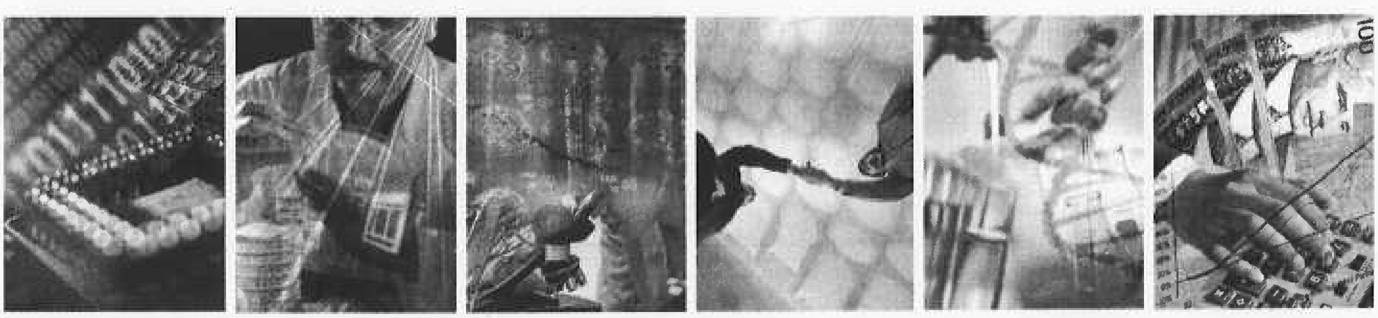
FIRST LEASIDE VISIONS I LP

A REGISTERED ONTARIO COMMERCIALIZATION INVESTMENT FUND (OCIF REG. NO. 40107)

SUMMARY OF 2008 INVESTMENTS

In 2008, First Leaside Visions I Limited Partnership raised $3-million which it invested equally in four exciting business opportunities that year. These four start-up companies were originally created by the University of Waterloo and the University of Toronto for the purpose of commercializing the research and technologies which were developed at those institutions. The underlying intellectual property for each of the companies has been protected by patent filings that have either been granted or are in progress.

GREENCORE COMPOSITES INC.
MARKSMAN CELLJECT INC.
METABACUS INC.
SEGASIST™ TECHNOLOGIES



University of Waterloo

1 Segasist™ Technologies*

Segasist™

Researchers led by Professor Hamid Tizhoosh at the University of Waterloo have developed an innovative artificial intelligence solution to eliminate the tedious and time-consuming manual editing involved in medical image segmentation (viewing of many "slices" of an image). The software, **Segasist™**, is being commercialized by University of Waterloo start-up **Segasist™**.

Segmentation is used to locate tumors, measure tissue volumes, and for other diagnostics. It allows for medical images to be partitioned into regions to make the image easier to analyze. Segasist™ allows clinicians to interpret medical images more quickly than is currently possible using manual segmentation techniques. This intelligent software learns from the user, incorporating the clinician's know-how to continually improve the accuracy of image processing. The technology can allow for shorter patient wait times and better patient outcomes.

The Segasist™ software uses a combination of unique, proprietary algorithms and has several advantages over commercially available image segmentation methods. Segasist™:

- Is the only image segmentation method that incorporates on-line, continual learning;
- Requires far less manual segmentation to achieve the accuracy of traditional methods;
- Can drastically reduce the time required to achieve image segmentation;
- Is the only software that remembers clinician preferences and interpretation of gray scale patterns;
- Allows segmentation to be performed away from the imaging equipment, such as in an office;
- Operates on multiple modalities (e.g., ultrasound, x-rays, CTs, MRIs) and multiple diagnostic applications.

FLV I LP INVESTMENT: $750,000

More Information: www.segasist.com

** Segasist Technologies is the operating name of OMISA Inc.*

UNIVERSITY of TORONTO

2 Marksman Cellject

MARKSMAN

Marksman Cellject Inc. is a spin-off from the Innovations Group of the University of Toronto, and its technologies were originally developed by Professor Yu Sun's team at the University of Toronto's Department of Mechanical and Industrial Engineering. Marksman Cellject provides automated systems (hardware & software) that solve problems experienced by moderate-sized laboratories around the world on a daily basis, as they carry out embryonic development studies, mutation screening to identify genes, drug molecule screening for drug discovery and other applications. The system replaces manual cell injection of the zebra fish and mouse embryos involved in this work. The manual process is universally hampered by human fatigue and large variations in success rates due to poor reproducibility. Not only do Marksman's embryo holding devices reduce sample immobilization time from minutes to seconds, but the automated injection system operates at a high speed with a high success rate and survival rate.

FLV I LP INVESTMENT: $750,000

More Information: www.marksman-cellject.com

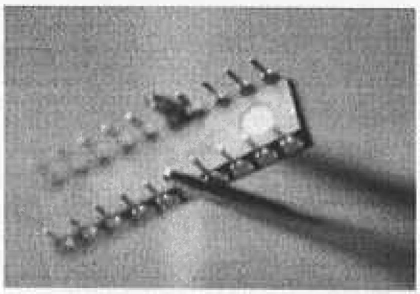
3 Metabacus

UNIVERSITY of TORONTO

METABACUS

Metabacus Inc. is a software company that provides manufacturers of high-performance advanced semiconductor chips with the tools to design their chips in simple software language and implement them in hardware at the click of a button — dramatically reducing the millions of lines of low-level hardware code that is manually written by engineers for each chip.

Not only does Metabacus' behavioural synthesis technology optimize chip performance, accelerate time-to-market and afford significant cost savings per chip design, but the technology addresses a significant challenge facing the semiconductor industry. The complexity and sophistication of advanced semiconductor chips is growing exponentially each year. According to the Ontario Ministry of Research and Innovation (MRI), these chips double in complexity every 18 months. Major productivity gains will be required to keep the cost of new and increasingly sophisticated chips from skyrocketing.



The Metabacus' solution is based on the research results and software developed by Professor Jianwen Zhu and his students at the Electrical and Computer Engineering (ECE) department at the University of Toronto. The company is a University of Toronto start-up created to commercialize this technology.

FLV I LP INVESTMENT: $750,000

More information: www.metabacus.com

4 GreenCore Composites

UNIVERSITY of TORONTO

GreenCore
Naturally Strong

Also a spin-off created by the Innovations Group of the University of Toronto, **GreenCore Composites Inc.** is commercializing the Natural Fibre Composites technology invented by Dr. Mohini Sain of the Faculty of Forestry and Chemical Engineering. GreenCore Composites has proprietary technologies to manufacture Natural Fiber Reinforced Composite Pellets for conventional molded and extruded semi-structural and structural products. By replacing petroleum based materials with sustainable natural fibers and/or bioplastics, **Green Inside™** pellets offer added environmental benefits while more than doubling the strength of the base polymer. The pellets can also be colored and combined with standard molding additives. Green Inside™ pellets offer higher performance mechanical properties relative to current commercial natural fiber composite products, making them suitable for applications such as furniture, consumer products, automotive, and electronics parts.

FLV I LP INVESTMENT: $750,000

More information: www.greencorenfc.com

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FIRST LEASIDE
GROUP OF COMPANIES

The agent of this offering, First Leaside Securities Inc. is an investment dealer member of the Investment Industry Regulatory Organization of Canada (IIROC) and a member of the Canadian Investor Protection Fund (CIPF).

MEMBER OF CIPF

IIROC OCRCVM
Investment Industry Regulatory Organization of Canada
Organisme canadien de réglementation du commerce des valeurs mobilières

430 Durham Road #8, Uxbridge, Ontario L9P 1R1
Tel.: 905-852-2500 ▲ Toll Free: 1-866-681-9247 ▲ Fax: 905-852-4637

WWW.FIRSTLEASIDE.COM

First Leaside Visions I LP is sponsored by:

UNIVERSITY of TORONTO · University of Waterloo · McMaster University · Western

2009

This is Exhibit "G" referred to in the affidavit of **Gregory MacLeod** sworn before me at Toronto, Ontario this 21st day of March 2012

....
A Commissioner For Taking Affidavits

81.



FIRST LEASIDE

FIRST LEASIDE VISIONS II LP

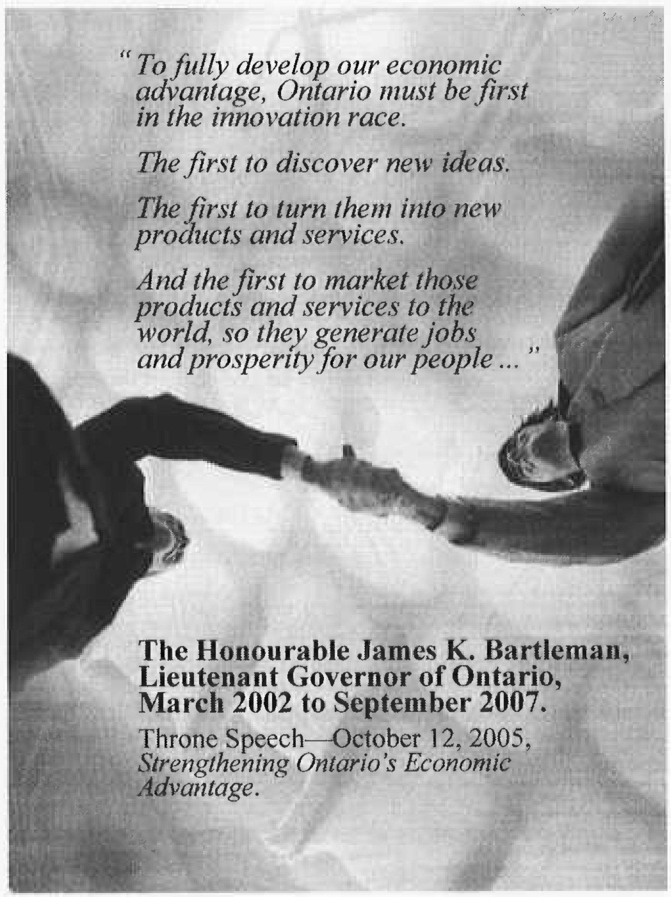
A REGISTERED ONTARIO COMMERCIALIZATION INVESTMENT FUND (OCIF REG. NO. 40108)



What is an OCIF?

FIRST LEASIDE

The **Ontario Commercialization Investment Fund (OCIF)** program was established by the Ontario government (Dec. 31, 2005 to Dec. 31, 2009) to help leverage pools of seed capital for spin-off technology companies created by faculty, staff and students of Ontario-based research institutions. Through a combination of direct provincial financing and other government grant programs, the OCIF initiative has been an outstanding example of the public and the private sectors' commitment to research and innovation.



OCIFs have provided an alternative source of investment capital needed by start-up companies that have been formed to commercialize research from sponsoring research institutions. **First Leaside Visions II LP** is a registered OCIF partnership sponsored by a network of institutions. Together, we share the common goal of promoting growth and creating jobs in the province.

First Leaside recognizes that in order for this OCIF to be a success, it will have to make financial sense for its investors. The First Leaside Group has an impressive 17-year track record in structuring tax-efficient limited partnerships. **First Leaside Visions II LP** and its exceptional management will carry on this tradition of success by becoming a leading financier of companies formed to commercialize research in Ontario.

First Leaside Visions II LP is sponsored by:

UNIVERSITY of TORONTO

University of Waterloo

uOttawa

McMaster University

Western

How does it work?

An investor contributes to First Leaside Visions II LP (a registered OCIF partnership), which, in turn, invests in eligible businesses commercializing the intellectual property and technology developed by faculty, staff and students of sponsoring research institutions in Ontario.

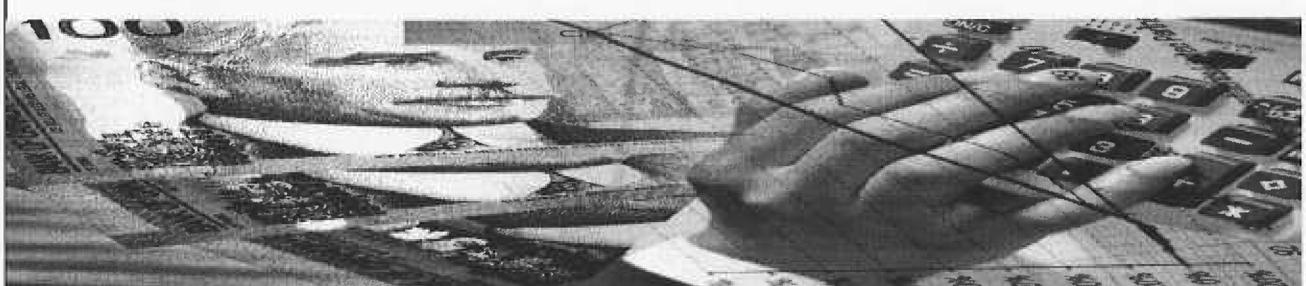
* Combination of other federal and provincial financing and grant programs.

What about investment returns?

The First Leaside Group has used its expertise in the structuring of tax-efficient investments to create First Leaside Visions II LP, a registered OCIF in the province of Ontario. First Leaside Visions II LP's unique structure will enable investors to reduce their down-side risk with generous tax incentives and cash distributions, while participating in the future growth of companies engaged in the commercialization of leading-edge research.

BENEFITS of an investment in First Leaside Visions II LP include:

1. **Deductions of up to 80 per cent** of invested capital may be used to reduce other Canadian sourced taxable income **over the next four tax years.**
2. **Cash return of up to 70 per cent** of invested capital is expected **at the end of the fifth year.**
3. **Potential capital gain** due to First Leaside Visions II LP's **participation in the commercialization of leading-edge research.**



Who's who?

First Leaside Visions II LP is managed by another member of the First Leaside Group of Companies, **First Leaside Visions Management Inc.** The management team draws from a vast collective knowledge, experience, acumen and professional networks ideally suited to the commercialization of intellectual capital—to the benefit of First Leaside Visions II LP investors, the sponsoring research institutions, and the Province of Ontario.

INVESTMENT MANAGER, FIRST LEASIDE VISIONS MANAGEMENT INC.

DR. DOUG HYATT, PhD

Dr. Hyatt leads the management team. He is a Professor of Business Economics at the Rotman School of Management, University of Toronto. He began his career as a banker, and then as an economist with the Ontario Ministry of Finance. He has worked with a number of firms as they have executed strategic acquisitions and other private equity transactions. For a number of years, Dr. Hyatt has provided litigation support in legal matters that require estimation of value of economic losses incurred by individuals and firms. He is also active in copyright and intellectual property valuation. Dr. Hyatt teaches micro- and macro-economics in the Executive MBA program and has published a number of articles and books on economics issues ranging from risk sharing in pension plans to child care and workers' compensation.

FORMER UNIVERSITY ADVISOR, FIRST LEASIDE VISIONS MANAGEMENT INC.

DR. TOM CORR, DBA, MBA

Over the past three years, Dr. Corr was pivotal in identifying new investment opportunities at Ontario universities for consideration by First Leaside Visions II LP and its predecessor partnership, First Leaside Visions I LP. With investments in seven start-up companies now having been made by those two partnerships, Dr. Corr has completed his mandate as University Advisor. Currently, Dr. Corr is the Chief Executive Officer of the Ontario Centres of Excellence. His background combines both the university research community and the business world. Most recently, he served as Associate Vice-President of Commercialization at the University of Waterloo and CEO of the Waterloo Research and Technology Park Accelerator Centre. He also served for three years as Director of Commercialization—IT and Communications, at Innovations at the University of Toronto which manages the commercialization of the inventions that are created as a result of the $2-million per day that the University of Toronto spends on R&D. Dr. Corr has more than 30 years of experience in the technology industry, including 20 years as CEO of companies ranging from start-ups to $50-million publicly listed companies, and is a director of a number of Canadian and U.S. technology companies. He holds an MBA from the University of Toronto, an Advanced Post Graduate Degree in Management Consulting from Henley Management College, a Doctor of Business Administration degree from Brunel University/Henley Management College, and received his professional corporate director (ICD.D) designation from the Institute of Corporate Directors. Dr. Corr also teaches in the Masters of Engineering Program at the Xerox Centre for Entrepreneurship at McMaster University.

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What am I investing in?

SUMMARY OF INVESTMENT HOLDINGS

Through your investment in First Leaside Visions II Limited Partnership, you are capitalizing on the ideas—the intellectual property and technology—developed by the faculty, staff and students at the University of Waterloo and the University of Ottawa. First Leaside Visions Management Inc. selected from numerous promising projects in key areas of expertise at our sponsoring institutions: University of Toronto, University of Western Ontario, McMaster University, University of Waterloo and University of Ottawa.

In 2009, First Leaside Visions II Limited Partnership invested equally in three exciting businesses, concluding its search for new investment opportunities. These three start-up companies were originally created by the University of Waterloo and the University of Ottawa for the purpose of commercializing the research and technologies which were developed at those institutions.

The underlying intellectual property for each of the companies has been protected by patent filings that have either been granted or are in progress.

1 **Tyromer Inc.** — University of Waterloo

2 **DossierView Inc.** — University of Waterloo

3 **eSight Corp.** — uOttawa

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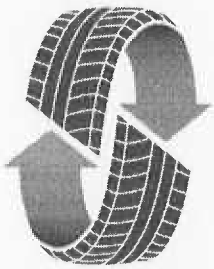
❶ Tyromer Inc.

University of Waterloo



The Challenge:

Each year about 300 million scrap tires are produced in North America. During the average life of a tire, only 15% of the rubber is used, leaving a staggering 9 billion pounds of scrap tires, with limited options for reuse or recycling. When rubber is formed into a tire, it is vulcanized—a process where rubber is mixed with sulfur and exposed to extreme heat. The result is a hard, durable rubber product, perfect for making tires. However, vulcanized rubber is difficult to recycle because it cannot be easily reformulated. More than 50% of scrap tires are currently burned for their fuel value. By today's standard, this is a wasteful proposition because burning only recovers about 25% of the energy that went into making these tires. Until now, there has been no effective way to utilize this massive renewable resource.

The Solution:

Based on a patented green process developed by Professor Tzoganakis and his team at the Department of Chemical Engineering at the University of Waterloo, scrap tires can be reformed into a new, versatile, high quality rubber material: **Tyromer™**.

Tyromer™ is a tire derived polymer made 100% from scrap tires, through its patented process. Representing a first in the industry, **Tyromer™** is a high quality, versatile recycled rubber product that has physical properties and strength close to virgin rubber, with high tensile strength, high elongation and excellent processability. In short, this patented technology enables the rubber in scrap tires to be reformulated and used for the manufacturing of new and useful rubber products. It is an environmentally friendly, safe product which can be used as a rubber substitute, or blended with natural and synthetic rubbers as well as plastic like polypropylene. Used as a replacement for synthetic rubber, **Tyromer™** offers a reduction in the use of non-renewable petroleum-based resources. Most significantly, **Tyromer™** can be used for re-treading tires to provide manufacturers with an ideal product life cycle management solution. This unique technology features rapid devulcanization, no chemical solvent use and low energy use, and it ...

- ... reduces the consumption of synthetic rubber which is a non-renewable petroleum-based resource;
- ... reduces the amount of Greenhouse Gas generated in tire manufacturing; and
- ... reduces the environmental hazards associated with scrap tire stockpiles.

FLV II LP INVESTMENT: $750,000

More Information: www.tyromer.com

88.

2 DossierView Inc.

University of Waterloo

The Challenge:

For many of us, the challenge has become a daily part of life. Do any of the following scenarios sound familiar?

- Have you ever spent five minutes or more looking for a client or project file … rummaging through filing cabinets, canvassing colleagues and searching through your computer?
- Ever wish you could identify others within your company, or externally, who could help you with an urgent issue?
- How often have you found yourself manually inspecting several pages of search engine results before finding a relevant web site?
- Have you ever landed on a spam web site, realizing too late that the link you clicked on page one of your search engine results was not legitimate?

Most people share one or more of these frustrating experiences. And these are just a few examples.

The Solution:

DossierView Inc., a privately owned early stage software technology company, is leveraging technology developed by Dr. Andrew Wong, a founder of the PAMI (Pattern Analysis and Machine Intelligence) Lab at the University of Waterloo, to solve these challenges. DossierView has been able to create the next generation of PAMI technologies to provide both corporate users and consumers with faster access to the most relevant information. The company's proprietary **wetrieve™** semantic and social search suite of products "leapfrog" current search technologies, making information access predictive, collaborative and fast for professional service firms (e.g., lawyers, accountants, engineering contractors, management consultants) and general Internet users at home, at work or on the go.

FLV II LP INVESTMENT: $750,000

More Information: www.dossierview.com

wetrieve
Relevant Information. Faster.

3 eSight Corp.

uOttawa

eSight

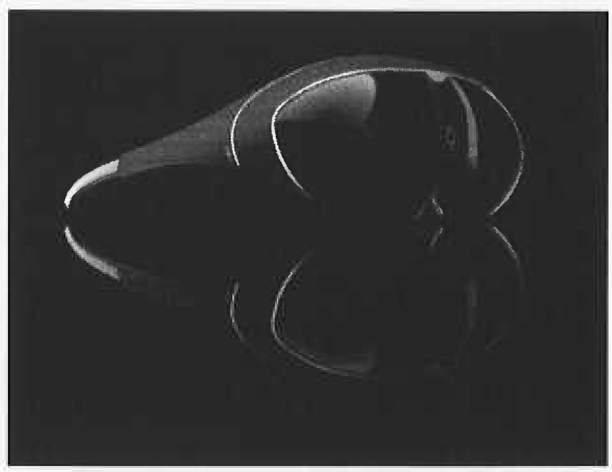
The Challenge:

More than 38 million Americans forty and older experience blindness, low vision or an age-related eye disease. Every seven minutes, another American becomes blind or visually impaired. The cost to society is enormous, estimated at over $50-billion by Prevent Blindness America 2007, The Economic Impact of Vision Problems. Once drug therapies and surgery options have been exhausted, people struggling with degenerative eye diseases face the disappointing realization that they will require assistive technology (AT), which is non-portable, in order to maintain some quality of life.

The Solution:

A new, innovative assistive technology device created by eSight Corp. is giving hope to these people. This technology combines breakthrough advances in digital video capture and display, with proprietary image processing algorithms to create ***evSpex™***, a brand new way to help people challenged with low vision. ***evSpex™*** enable people challenged with low vision to do more of the things they love, whenever and wherever they wish, without the limitations of today's non-portable assistive technology devices. They resemble sunglasses, but are so much more. Imagine the ability to zoom in/out, improve the brightness and contrast of whatever you are looking at, and even quickly store visual information for a closer look later. Currently in clinical evaluations, ***evSpex™*** will be commercially available in 2010.

eSight's wearable display technology can enhance almost any visual experience. Imagine …



- … attending a live sporting event or your favorite concert, and having the ability to zoom in, and everyone else just thought you were wearing sunglasses.
- … the rich gaming experience that is possible with the world's best resolution and field of view.
- … being able to connect a large "virtual" display to almost any portable application.
- … how eSight technology could enhance a person's performance in various professional and security applications.
- … what you could do with a personal display if it had an integrated, high-resolution video camera.

Yes, our first market is to serve people challenged with low vision, but beyond that, the possibilities for eSight technologies in other areas are only limited by our imagination.

FLV II LP INVESTMENT: $750,000

More Information: www.esightcorp.com

Other Questions?

Q. Who is the First Leaside Group of Companies?

A. Founded in the late 1980s, the **First Leaside Group of Companies** is a fully integrated Canadian financial services organization which includes the origination of structured investment products. It has an impressive 17-year track record in structuring tax-efficient limited partnerships, with approximately 1,000 high net worth investors benefiting from more than $150-million in innovative product origination through the course of the past six years alone. Part of the First Leaside Group, **First Leaside Securities Inc.** (the Agent) is an investment dealer member of the Investment Industry Regulatory Organization of Canada (IIROC) and a member of the Canadian Investor Protection Fund (CIPF).

FIRST LEASIDE
GROUP OF COMPANIES

Q. Why did the Government of Ontario establish this program?

A. Recognizing that research and innovation are fundamental to any growing modern economy, the Ontario government is committed to supporting the commercialization of R&D. The Throne Speech entitled *Strengthening Ontario's Economic Advantage*, delivered on October 12, 2005 by The Honourable James K. Bartleman, Lieutenant Governor of Ontario, provides further insights into the government's philosophy: "To fully develop our economic advantage, Ontario must be first in the innovation race. The first to discover new ideas. The first to turn them into new products and services. And the first to market those products and services to the world, so they generate jobs and prosperity for our people." Statistics Canada reports that there were less than 50 start-up companies established in 2003 and 2004 to commercialize inventions developed at Canada's universities and hospitals. (This is the most recent data published by Statistics Canada.) The Ontario Commercialization Investment Fund is one initiative that was designed to help leverage pools of seed capital to encourage new technology companies based on Ontario research and innovation.

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Q. **When will I see reductions in my taxable income?**

A. Starting in the 2010 tax year. Before the end of each year, investors will be notified as to the extent of the write-off available for that tax year.

Q. **What if some commercialization projects are successful?**

A. You will have a stake in the companies funded as a result of First Leaside Visions II LP's ownership of securities, in the form of shares and share purchase warrants of the start-up companies invested in.

Q. **What if the research doesn't result in a commercially viable business?**

A. Your write-offs against taxable income plus your cash return should provide a suitable cushion in a worst-case scenario.

Q. **Who is an eligible investor?**

A. To be eligible, investors must be accredited as defined in the Ontario Securities Commission (OSC) Rule 45-106.

Q. **How can I learn more about First Leaside Visions II LP?**

A. Contact First Leaside Securities Inc., the Agent, at 1-866-681-9247 or info@firstleaside.com.

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FIRST LEASIDE
GROUP OF COMPANIES

The Agent of this offering, First Leaside Securities Inc. is an investment dealer member of the Investment Industry Regulatory Organization of Canada (IIROC) and a member of the Canadian Investor Protection Fund (CIPF).

CIPF Canadian Investor Protection Fund MEMBER

IIROC Investment Industry Regulatory Organization of Canada

OCRCVM Organisme canadien de réglementation du commerce des valeurs mobilières

430 Regional Road #8, RR 1, Uxbridge, Ontario L9P 1R1
Tel.: 905-852-2500 ▲ Toll Free: 1-866-681-9247 ▲ Fax: 905-852-4637

WWW.FIRSTLEASIDE.COM

2010

TAB 3

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	FRIDAY, THE 23rd
	)	
JUSTICE MORAWETZ	)	DAY OF MARCH, 2012

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

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

ORDER
(First Extension of Stay Period)

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

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

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

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

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

4. **THIS COURT ORDERS** that the First Report be and is hereby accepted and approved and the activities of the Monitor as described in the First Report be and are hereby approved.

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

Schedule A

Mill Street Limited Partnership
Development Notes Limited Partnerships Special Notes LP
First Leaside Properties LP
First Leaside Realty LP First Leaside Real Estate LP
First Leaside Global LP First Leaside Income LP First Leaside Investors LP First Leaside Optimal LP First Leaside Preferred LP First Leaside Premier LP First Leaside Progressive LP First Leaside Quality LP First Leaside Real Estate LP First Leaside Realty II LP First Leaside Retirement Residences LP First Leaside Superior LP First Leaside Ultimate LP First Leaside Universal LP Uxbridge Development LP First Leaside Retirement Residences Limited Partnership First Leaside Venture Limited Partnership
Wimberly Apartments LP
The Shores LP
Old Mill Pond LP

The Bluffs of Lakewood LP
First Leaside Spring Valley LP
First Leaside Partners LP First Leaside Opportunities LP
Preston Racquet Club Real Estate Limited Partnership Series 910 PA Preston Racquet Club Real Estate Limited Partnership Series 910 PB Preston Racquet Club Real Estate Limited Partnership Series 910 PC Preston Racquet Club Real Estate Limited Partnership Series 910 PD
FL Master Texas Ltd.
FLW Pond Master Ltd.
FLW Shores Master Ltd.
First Leaside Acquisitions LP
Queenston Manor LP
First Leaside Acquisitions 2000 LP
First Leaside Advantage LP
First Leaside Developments LP
First Leaside Elite LP First Leaside Select LP
First Leaside Enterprises LP
B&W LP First Leaside Entities LP
First Leaside Expansion LP
First Leaside Growth LP
First Leaside Operations LP
First Leaside Unity LP

First Leaside Visions I LP First Leaside Visions II LP First Leaside Visions III LP First Leaside Visions IV LP Metabacus LP Greencore LP Marksman Celliect LP OMISA LP Dossierview LP eSight LP Tyromer LP
Place Concorde East LP
Place Concorde West LP
First Leaside Wealth Management LP
First Leaside Technologies LP
F.L. Beverages Group Limited Partnership F.L. Retirement Residences Limited Partnership First Leaside Global Limited Partnership First Leaside Ventures Limited Partnership Special U.S. Notes Limited Partnership FLWM Holdings Limited Partnership

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FIRST LEASIDE WEALTH MANAGEMENT INC., et al

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceedings commenced at Toronto

ORDER

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Legal*7308744.4

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FIRST LEASIDE WEALTH MANAGEMENT INC., et al

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceedings commenced at Toronto

MOTION RECORD OF THE APPLICANTS
(STAY EXTENSION)
(returnable March 23, 2012)

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