Court File No. CV-12-9930-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c.C.43, AS AMENDED

IN THE MATTER OF THE RECEIVERSHIP OF FIRST LEASIDE WEALTH MANAGEMENT INC. AND THE APPLICANTS LISTED ON SCHEDULE "A" (collectively "FIRST LEASIDE")

FOURTH REPORT TO COURT OF GRANT THORNTON LIMITED IN ITS CAPACITY AS RECEIVER OF FIRST LEASIDE

MAY 25, 2017

Grant Thornton

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IN THE MATTER OF SECTION 101 OF THE
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INTRODUCTION

1. On February 23, 2012, an application was made to the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), by First Leaside Wealth Management Inc. and certain related parties (the "**CCAA Applicants**") to commence proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). On that date, the Court issued an order (as amended by the Court from time to time, the "**Initial Order**"), *inter alia*, granting the CCAA Applicants the protection of a stay of proceedings and appointing Grant Thornton Limited ("**GTL**") as monitor (the "**Monitor**"), G.S. MacLeod & Associates Inc. as the chief restructuring officer (the "**CRO**") and Dentons Canada LLP ("**Dentons**") (formerly Fraser Milner Casgrain LLP) as representative counsel ("**Representative Counsel**") to

approximately 1,200 investors (the "**Investors**") who are clients of First Leaside Securities Inc. ("**FLSI**").

2. The Initial Order also provided for a general stay of all proceedings against the CCAA Applicants and against any former, current or future director or officer of the CCAA Applicants with respect to any claim against any director or officer that arose before the date of the Initial Order relating to any obligation in which such director or officer was alleged to be liable in their capacity as director or officer, or the payment or performance of such obligations. Such stay of proceedings in respect of the directors and officers was terminated on February 19, 2013.

3. As set out in the CRO's affidavit sworn December 3, 2012, the CRO brought a motion to terminate the CCAA proceedings and sought the appointment of a receiver and manager in an effort to, among other things, realize on remaining assets, reduce administration costs and ultimately facilitate distributions to stakeholders under the supervision of this Court.

4. On December 7, 2012, Mr. Justice Wilton-Siegel issued an order (the "**Receivership Order**") appointing GTL as receiver (the "**Receiver**") without security, of all of the assets, undertakings and properties of First Leaside.

5. During the course of its CCAA proceedings, First Leaside, under the direction of the CRO, undertook to liquidate its assets for the benefit of its stakeholders, including mortgagees, Investors, and other Creditors.

6. On December 7, 2012, pursuant to another order of the Court, the Receiver was authorized and directed to administer a claims process (the "**Claims Process**") for claims of all the known creditors (the "**Creditors**") of First Leaside and acknowledging the claims of Investors.

7. On December 7, 2012, pursuant to a further order, the Court authorized and approved, among other things, the activities of the CRO and the Monitor, the fees and disbursements of the Monitor and its counsel for the period up to and including November 30, 2012, the release and discharge of the Monitor and the CRO, as well as the transitioning of certain orders that were made in the CCAA proceedings, including the continued appointment of Representative Counsel, into the receivership proceedings. The fees and disbursements of Representative Counsel were approved by an order of the Court on December 17, 2012.

8. On December 27, 2012, Mr. Justice Morawetz issued an order (the "**Joint Administration Order**") authorizing the Receiver to, *inter alia*, administer the receivership estates of the various First Leaside entities as if such receivership estates were a single receivership estate for the purpose of carrying out certain of the Receiver's administrative duties and responsibilities. The Joint Administration Order explicitly provided that nothing therein should be construed as substantively consolidating any of the receivership estates.

9. On February 19, 2013, Mr. Justice Wilton-Siegel issued an order, *inter alia*, amending the title of these proceedings, terminating the stay of proceedings

against First Leaside's directors and officers and approving the activities of the Receiver up to February 8, 2013, the date of the Receiver's Second Report to the Court (the "**Second Report**").

10. On July 24, 2013, the Court issued an order (the "**Interim Distribution Order**") authorizing the Receiver to make an interim distribution to creditors on the terms set out in the Interim Distribution Order (the "**Interim Distribution**"), including a holdback of certain funds in respect of, among other things: i) the future administration costs of the receivership; and ii) certain disputed and unresolved claims. In accordance with the Interim Distribution Order, the Receiver made the Interim Distribution between July 2013 and August 2013.

11. Also on July 24, 2013, the Court issued an order (the "**US Funds Approval and Vesting Order**") approving the transfer by the Receiver of its interest in the following entities (referred to as the "**US Funds**") to certain purchasers:

    a) Wimberly Fund;
    b) First Leaside Fund;
    c) First Leaside Properties Fund; and
    d) First Leaside Mortgage Fund ("**Mortgage Fund**").

12. Also on July 24, 2013, the Court issued an order (the "**Mill St. Approval and Vesting Order**"), approving the sale of property on Mill Street in Uxbridge, Ontario and vesting in the purchaser the right, title and interest of Mill Street Limited Partnership and FL Securities Inc. in and to such property.

13. On July 30, 2015, the Receiver sought and obtained an order amending the Receivership Order to remove the requirement for Court approval for the sale of an undeveloped lot located in Wheatley, Ontario (the "**Wheatley Property**"). Court approval was replaced with a requirement for Representative Counsel approval, such Representative Counsel approval was obtained, and the Wheatley Property was sold by the Receiver at the end of July, 2015.

14. Several other orders and endorsements have been issued in these proceedings, all of which are available on the Receiver's website at www.grantthornton.ca/firstleaside (the "**Receiver's Website**").

15. Since the beginning of the CCAA proceedings, First Leaside and the Receiver have realized on gross proceeds of approximately $125 million which, after repayment of the secured creditors and the costs of these proceedings, resulted in net proceeds of approximately $17 million available for distribution to First Leaside investors. In accordance with the Interim Distribution Order, the Receiver made distributions of approximately $13 million and held back approximately $4 million.

16. In order to minimize administration costs, the Receiver has not attended Court for some time. The Receiver has, however, maintained regular communication with Representative Counsel, and has engaged in several discussions with the Chair of a committee of investors of First Leaside established during the CCAA proceedings (the "**Steering Committee**") to update on the status of the receivership administration.

17. As described in detail in this Fourth Report, all but a few discrete matters in this receivership have now been resolved, but those that have not been resolved are not expected to conclude quickly. In the Receiver's view, it is prudent at this time for the Receiver to update the Court on the status of the proceedings and to seek the relief requested herein.

BACKGROUND TO CCAA AND RECEIVERSHIP ADMINISTRATION

18. As disclosed in previous Court filings, First Leaside was a group of companies that promoted and sold investments in various proprietary investment products. A large proportion of its business related to investments in real estate projects. A subsidiary of First Leaside was an investment dealer under Ontario securities law.

19. In March, 2011, in connection with an investigation by the Ontario Securities Commission ("**OSC**") into the affairs of First Leaside, GTL was retained as a consultant by legal counsel to First Leaside to review, report and make recommendations regarding First Leaside's business, assets, affairs and operations. GTL released a detailed report in August, 2011.

20. First Leaside subsequently consented to a voluntary cease trade order in October, 2011. The CRO was retained by the independent committee of the board of directors in December, 2011. The CRO subsequently determined that the best course of action was for First Leaside to undertake an orderly wind-down of operations. Given the complexity of the structure and holdings, the CRO

determined that a court supervised process pursuant to the CCAA was the most appropriate forum for this wind-down.

21. As of the time of its filing for CCAA protection on February 23, 2012, First Leaside had approximately 1,200 individual Investors, who had invested approximately $370 million in various First Leaside investment products.

PURPOSE OF FOURTH REPORT

22. The purpose of this Fourth Report is to provide the Court and stakeholders with information on the Receiver's activities and to support the Receiver's request for two orders. The first order sought is an order:

a) approving this Fourth Report and the conduct and activities of the Receiver as described herein;

b) authorizing the Receiver to make the distributions on account of Loans A,B,C,D and E (as defined in Appendix "A") to parties having net receivable positions with respect to Loans made by First Leaside Wealth Management Inc. ("**FLWM**");

c) authorizing the Receiver to set off the amount owing to Debtors L,M,N and O (as defined below) on account of the Interim Distribution against the amount owed by Debtors L,M,N and O pursuant to Loans L,M,N and O, respectively;

d) approving the Mortgage Fund Settlement (as defined herein);

e) authorizing the Receiver to pay any and all distributions properly owing to John Wilson ("**Mr. Wilson**") to the OSC, or such other party as the OSC may direct in writing.

f) amending the Interim Distribution Order (as defined herein) to correct a typographical error;

g) approving the Receiver's Interim Statement of Receipts and Disbursements;

h) approving the fees and disbursements of the Receiver for the period of June 1, 2013 to March 31, 2017 and of the Receiver's legal counsel, Blake Cassels & Graydon LLP ("**Blakes**"), in its capacity or general counsel to the Receiver, for the period of June 1, 2013 to March 31, 2017, Lax O'Sullivan Lisus Gottlieb ("**Lax O'Sullivan**"), in its capacity as special litigation counsel to the Receiver, for the period of June 1, 2013 to February 28, 2017, and Cassels Brock and Blackwell LLP ("**Cassels Brock**"), in its capacity as real estate counsel to the Receiver, for the period June 1, 2013 to August 12, 2013; and,

i) approving the fees and disbursements of Dentons for the period June 5, 2013 to February 25, 2014 and Cassels Brock for the period March 14, 2014 to March 31, 2017, in their capacities as Representative Counsel;

The second order sought is an order approving and implementing the comprehensive wind-up of securities accounts held in favour of former clients of

FLSI by Fidelity Clearing Canada ULC ("**Fidelity**") pursuant to the Custodial Agreement (as defined herein), as described in detail in paragraph 87.

RESTRICTIONS AND TERMS OF REFERENCE

23. In preparing this Fourth Report, the Receiver has relied upon unaudited financial information, First Leaside's books and records, financial information provided by First Leaside, First Leaside's former management and certain of First Leaside's former employees. While the Receiver reviewed various documents provided by First Leaside and its former management/employees and believes that such information therein provides a fair summary of the transactions as reflected in the documents, the Receiver has not performed an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises or International Financial Reporting Standards.

24. In the course of its mandate, the Receiver has assumed the integrity and truthfulness of the financial information in the records of First Leaside and certain of its former management, within the context in which such information was presented.

25. This Fourth Report has been prepared solely for the use of this Court and First Leaside's stakeholders in and for this proceeding. Accordingly, the reader is cautioned that this Fourth Report may not be appropriate for any other purpose.

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

THE RECEIVER'S ACTIVITIES

<u>Summary of Activities</u>

27. Since the date of the Third Report, the Receiver's activities have included, amongst other things:

a) meeting and corresponding with Lax O'Sullivan, the Receiver's counsel in respect of the proceedings commenced by First Leaside against David Phillips ("**Mr. Philips**"), the former CEO of First Leaside, and his wife Margaret Davis ("**Ms. Davis**"), both of whom were former directors and officers of certain First Leaside entities. A further update on this litigation is discussed below, beginning at paragraph 55;

b) meeting with Mr. Phillips and his counsel to engage in settlement discussions;

c) reviewing First Leaside books and records in order for the Receiver to prepare for discoveries in the above referenced litigation;

d) engaging in extensive correspondence and discussions with Fidelity in respect of matters related to investors' accounts;

e) attending a meeting with Representative Counsel on October 13, 2015 to provide an update on the receivership proceedings to the Steering Committee;

f) meeting and corresponding with Representative Counsel and the Chair of the Steering Committee on a periodic basis to discuss, among other things, developments in the receivership proceedings;

g) in accordance with the Interim Distribution Order, completing the Interim Distribution;

h) pursuing the recovery of amounts owing to First Leaside from various parties or negotiating settlements as deemed appropriate;

i) marketing for sale and completing the sale of the Wheatley Property, with approval from the Steering Committee;

j) corresponding with the OSC or their counsel in connection with allegations brought by the OSC against Mr. Phillips and Mr. Wilson for breaches of the *Securities Act* (Ontario), and for conduct contrary to the public interest;

k) corresponding from time to time with counsel to the Investment Industry Regulatory Organization of Canada ("**IIROC**") in respect of the receivership proceedings;

l) corresponding from time to time with representatives of the Canadian Investor Protection Fund ("**CIPF**") in respect of claims that have been made by First Leaside investors;

m) corresponding with Torkin Manes LLP ("**Torkin Manes**"), counsel to the trustees of the US Funds in respect of the Mortgage Fund Settlement, including the negotiation of the Mortgage Fund Settlement, and other matters, as discussed in further detail below beginning at paragraph 70;

n) extensively corresponding by telephone and email with Investors, Creditors and other stakeholders in respect of the receivership proceedings in general and documentation received from First Leaside in respect of their taxes;

o) consulting and corresponding with an information technology specialist to preserve First Leaside's electronic records and ensure the Receiver's continued access to such electronic records;

p) maintaining the Receiver's Website and updating same on a regular basis;

q) engaging and working with an accountant to prepare necessary tax filings and documents for First Leaside investors;

r) maintaining and reconciling the bank accounts of First Leaside;

s) meeting and corresponding regularly with the Receiver's independent counsel, Blakes;

t) corresponding with the Office of the Superintendent of Bankruptcy regarding statutory filings;

u) prepared requisite tax filings for First Leaside;

v) preparing statutory notices under Section 246(2) of the *Bankruptcy and Insolvency Act* (the "**BIA**") pursuant to the Joint Administration Order; and

w) preparing this Fourth Report and related materials.

90 KING STREET DISTRIBUTION

28. As explained in the Third Report, the sale of 90 King Street East, Thornbury, Ontario was authorized by this Court on May 3, 2012 during the CCAA proceedings. The syndicated mortgage in respect of this property was assumed by the purchaser.

29. The CRO and the Receiver continued to collect interest payments, and made distributions to the participating investors in respect of this syndicated mortgage pursuant to paragraph 7(a) of the Receivership Order in June 2013, July 2014 and August 2015.

30. The purchaser repaid the mortgage to the Receiver on its maturity on April 1, 2016 including interest up to the date of maturity.

31. The Receiver made a final distribution to the participating investors in respect of this syndicated mortgage pursuant to paragraph 7(a) of the Receivership Order on July 27, 2016.

OSC SANCTIONS

32. Following the investigation referred to in paragraph 19, the staff of the Ontario Securities Commission (the "**Staff**") formally alleged, pursuant to an amended

statement of allegations dated April 25, 2013, that during the period between August 22 and October 28, 2011, Mr. Phillips and Mr. Wilson: (a) directly or indirectly engaged or participated in an act, practice or course of conduct relating to securities which each knew, or ought to have known, would perpetrate a fraud on investors, (b) made statements which were untrue or omitted information necessary to prevent such statements from being false or misleading, which statements an investor would consider relevant in deciding on whether or trade, (c) failed to deal fairly, honestly and in good faith with their clients, and (d) engaged in conduct contrary to the public interest and harmful to the integrity of the capital markets (collectively, the "**Staff Allegations**").

33. The Staff Allegations were adjudicated by the OSC on various dates in June and September, 2013, culminating in reasons and decision of the OSC being issued on January 14, 2015 (the "**Merits Decision**"). The Merits Decision concludes that both Mr. Phillips and Mr. Wilson breached the *Securities Act* (Ontario) and Commission Rule 31-505, and acted contrary to the public interest, as alleged in the Staff Allegations.

34. On October 28, 2015, the OSC issued its reasons and decision on sanctions and costs, and issued an order of the same date (the "**Sanction Order**") requiring, among other things, that Mr. Phillips and Mr. Wilson jointly and severally disgorge to the OSC $7,817,739, that Mr. Phillips, in addition, disgorge to the OSC $8,779,515, and that Mr. Phillips and Mr. Wilson, in addition, pay $340,867 in costs.

35. In the course of the Staff's investigation of Mr. Phillips and Mr. Wilson, the Receiver was called upon to cooperate with Staff, which cooperation was provided in accordance with legal requirements.

36. Following the issuance of the Sanction Order, the Receiver's counsel was provided with a letter from the OSC's counsel, dated January 5, 2016, which instructed that no amounts should be paid by the Receiver to Mr. Phillips or Mr. Wilson, but rather should be paid to the OSC (the "**OSC Letter**").

37. The Receiver understands that Mr. Phillips and Mr. Wilson appealed the Merits Decision and Sanction Order to the Divisional Court, which dismissed their appeal on December 16, 2016. On April 21, 2017, Mr. Phillips and Mr. Wilson's motion for leave to appeal was dismissed by the Court of Appeal for Ontario. The Receiver understands that all appeal routes in respect of the Merits Decision and Sanction Order have now been exhausted.

38. As discussed elsewhere in this Fourth Report, the Receiver has held back distributions payable to Mr. Phillips, Mr. Wilson and Ms. Davis (Mr. Phillips' spouse), pending the resolution of the appeals related to the Merits Decision and Sanction Order or other claims involving them (including the Civil Action, defined below).

39. The Receiver has confirmed to the OSC in response to the OSC Letter than no amounts will be distributed to Mr. Phillips or Mr. Wilson without an order of the Court, which would be sought on notice to the OSC. Counsel to the OSC has furthermore advised the Receiver that garnishments in respect of the Sanction

Order will be forthcoming in the short term, which the Receiver understands will obligate the Receiver to pay any amounts owing to Mr. Phillips or Mr. Wilson to the Sheriff.

FIRST LEASIDE WEALTH MANAGEMENT INC. LOANS

40. As explained in the Third Report, FLWM made approximately $4 million of loans to 42 investors, directors and former employees (each, a "**FLWM Debtor**"), evidenced by promissory notes. The Receiver has sent demand letters to those FLWM Debtors who have not paid the amounts outstanding under their promissory notes (net of any Interim Distribution owing to such FLWM Debtor), and in the case of 12 FLWM Debtors, has issued and served statements of claim seeking repayment.

41. Since the date of the Third Report, the Receiver has negotiated, either directly or through counsel, with the majority of FLWM Debtors subject to litigation, and has entered into a number of settlements. The status of FLWM Debtors with whom settlements have not been reached is summarized in the chart summary attached hereto as Appendix "A".

42. There are a number of categories of FLWM Debtors in respect of which the Receiver is seeking specific relief from the Court. To protect the privacy of the FLWM Debtors, each Loan shall be referred to only by the letter designation in Appendix A.

Net Amount Owing to Borrower

43. The Interim Distribution Order approved a specific distribution matrix that was included in the Third Report (the "**Distribution Matrix**"), which Distribution Matrix set out specific amounts owing to specific investors, based on the information available to the Receiver at the time.

44. Following the issuance of the Interim Distribution Order, the Receiver learned that there were errors in the books and records of First Leaside, which resulted in the Distribution Matrix providing for insufficient amounts being payable to certain recipients, including in the case of Loan A, B, C, D and E. Accordingly, in respect of Loan A,B,C,D and E, an insufficient distribution was made. The details of the insufficiencies are specified in Appendix A.

45. Upon discovering the error in First Leaside's books and records, the Receiver made the appropriate distributions on account of Loans A, B and C. Because the Distribution Matrix did not explicitly include these distributions (although it would have were it not for the error in First Leaside's records), the Receiver is seeking retroactive approval of these distributions.

46. Corrective distributions in respect of Loan D and E are also outstanding, but have not yet been made. The Receiver is seeking approval of these distributions now.

Outstanding Borrower Issues

47. Part B of Appendix A lists 10 outstanding Loans that have not yet been settled. Summaries of these Loans and any offsetting distributions are included in

Appendix A. The Receiver is seeking specific relief in respect of three of these Part B loans, and wishes to advise the Court of its intentions with respect to the other seven.

a) Loan F & G: The Receiver has filed statements of claim against the FLWM Debtors under Loans F and G. However, both debtors reside in the United States, which presents significant procedural and economic barriers to prosecuting the claim and enforcing any judgment that may result. Accordingly, with the consent of the Steering Committee, the Receiver has elected to take no further steps in connection with Loan F and Loan G.

b) Loan H: The Receiver has filed a statement of claim in respect of Loan H, and the debtor ("**Debtor H**") has filed a statement of defence. Loan H is in the amount of $907,031 and is offset by a distribution owing to Debtor H in the amount of $134,725 (which was held back from the Interim Distribution), for a net amount owing by Debtor H of $772,306. The Receiver considers this amount to be material.

   Despite protracted negotiations and a mediation with Debtor H and its counsel, no acceptable terms of settlement have been reached as of the date of this Fourth Report, but the Receiver is optimistic that a settlement is attainable. However, if no acceptable settlement terms are reached in the near term, the Receiver intends to proceed with its action against Debtor H.

c) Loan I: Unlike the other loans evidenced by promissory notes, Loan I was not made in order to finance the acquisition of First Leaside securities. Rather, the debtor under Loan I, ("**Debtor I**") appears to have been an employee of First Leaside Insurance Inc. ("**FLI**") when FLI was first incorporated. The Receiver understands that FLI did not have sufficient revenue to pay Debtor I's agreed upon compensation, and so 14 demand notes were issued in favour of FLWM over the course of a 13 month period. Debtor I executed the 14 notes, but it appears to the Receiver that the arrangement was, in intention if not in fact, FLI borrowing from FLWM to pay Debtor I's salary.

In the Receiver's view, Debtor I appears to have provided value in the form of services to FLI in exchange for any money transferred, and thus the Loan I indebtedness is properly characterized as an intercompany debt owing by FLI to FLWM. There is furthermore no offsetting distribution owing to Debtor I, and thus the Receiver is not seeking any relief in respect of Loan I and does not intend to pursue it any further.

d) Loan J: Loan J was made to its debtor ("**Debtor J**") to finance the acquisition of shares of FLWM by Debtor J, as was the case with all of the other loans except for Loan I. The Receiver has filed a statement of claim against Debtor J for the repayment of Loan J in the amount of $160,000 plus interest.

The Receiver intends to continue its efforts to settle or prosecute the claim against Loan J, including by seeking a statutory declaration regarding his assets or, failing that, undertaking an asset search against Debtor J to determine the viability of enforcement were a judgment to be obtained.

e) Loan K: The FLWM Debtors under Loan K (collectively, "**Debtor K**") filed a proposal under section 66.13 of the BIA on October 7, 2015, which proposal was accepted by the required majority of creditors on November 23, 2015. The Receiver has filed a proof of claim in the proceedings for the aggregate amount of $125,783.81. No distributions have been made under the proposal as of the date of this Fourth Report.

f) Loan L & M: FLWM Debtor under Loan L ("**Debtor L**") has advised the Receiver, through counsel, that she is retired and living on a limited fixed pension income, such that she would not be able to pay the $151,172 owing under Loan L. FLWM Debtor under Loan M ("**Debtor M**") has advised the Receiver, through counsel, that he is 77 years-old and unable to retire as a result of losing his life's savings when First Leaside collapsed, and is similarly unable to pay the $90,304 owing under Loan M.

The Receiver has requested statutory declarations from Debtor L and Debtor M, with full financial disclosure. Debtors L and M have agreed to provide the statutory declarations, but as of the date of this Fourth Report they have not been delivered.

Debtor L has a distribution owing in the amount of $21,321, and Debtor M has a distribution owing of $31,201, both of which were held back from the Interim Distribution. The Receiver is accordingly seeking the Court's authorization to off-set the corresponding distributions against Loan L and Loan M. If such relief is granted, and provided that the statutory declarations demonstrate sufficient impecuniosity, the Receiver does not intend to pursue Loans L or M any further.

g) Loan N: The FLWM Debtor in respect of Loan N ("**Debtor N**") is the only FLWM Debtor that the Receiver and its agents have not been able to locate. After unsuccessful attempts to locate Debtor N based on First Leaside records, the Receiver retained collection agency Allied International Credit ("**AIC**") on or around March of 2015. AIC attempted to pull a credit bureau, but was unable to as there was no address or date of birth available for Debtor N in First Leaside's records. AIC's trace department followed up with a search of similar names in the last known geographical area of the PO Box on file for Debtor N, and searched social media and other sites, but was similarly unable to located Debtor N.

In the Receiver's view, all reasonable and efficient measures have been taken to locate Debtor N, without success. The Receiver is accordingly seeking the Court's authorization to off-set the $5,110 distribution owing to Debtor N against the $28,388 owing pursuant to Loan N. If such relief is granted, the Receiver does not intend to pursue Loan N any further.

h) Loan O: The Receiver has been unable to come to a settlement the with the FLWM Debtor in respect of Loan O ("**Debtor O**"), who is owed a $5,998 distribution and owes FLWM $17,131 pursuant to Loan O.

In the Receiver's view, it is not economically efficient or justified to pursue formal litigation in respect of the net $11,133 claim against Debtor O, and is accordingly seeking the Court's authorization to off-set the $5,998 distribution owing to Debtor O against the $17,131 owing pursuant to Loan O. If such relief is granted, the Receiver does not intend to pursue Loan O any further.

JOHN WILSON CLAIM

48. As set out above, the Receiver held back distributions payable to Mr. Wilson, pending the results of the OSC's proceedings. Mr. Wilson, a former sales agent of First Leaside, filed three claims in the Claims Process as follows: (a) $600,000, in respect of unpaid commissions on the sale of securities of First Leaside ("**Wilson Claim 1**"), (b) $42,574, on account of severance and termination pay ("**Wilson Claims 2**"), and (c) $304, on account of alleged unpaid insurance premiums ("**Wilson Claims 3**" together with Wilson Claim 1 and Wilson Claim 2, the "**Wilson Claims**").

49. The Receiver disallowed Wilson Claim 1 on March 15, 2013, which was not appealed. At the time of submission of the claims in the Claims Process, the Receiver neither reject nor accepted Wilson Claim 2 or Wilson Claim 3, as it was of the view that the findings of the OSC in their *Securities Act* proceedings would impact the Receiver's determination of the legitimacy of the claims. Specifically, if the OSC found wrong-doing on the part of Mr. Wilson, the Receiver believed it would be appropriate to disallow Wilson Claim 2 and Wilson Claim 3, given the nature of the claims. Accordingly, the Receiver held back the amount that would otherwise be payable to Mr. Wilson on account of Wilson Claim 2 and Wilson Claim 3, totaling $18,659.

50. In addition to the holdback in respect of the Wilson Claims, the Receiver held back a further $79,758 in accordance with the Initial Distribution Order, representing the distribution that Mr. Wilson would be entitled to on account of his investments in four different First Leaside products (the "**Wilson Unit Distribution**"). Mr. Wilson did not challenge the Receiver's holdback.

51. The Receiver's justification for deferring assessment of Wilson Claim 2 and Wilson Claim 3, and for holding back the distributions were ultimately supported by the OSC in the Merits Decision and the recent dismissal of Mr. Phillips and Mr. Wilson's leave to Appeal to the Court of Appeal for Ontario.

52. In light of the fact that the Merits Decision and Sanction Order are now final, and in light of the advice of the OSC's counsel that garnishments are forthcoming, the Receiver is seeking the Court's authorization to pay the Wilson Unit Distribution

directly to the OSC, or to such other party as the OSC may direct (such as the Sheriff), in partial satisfaction of Mr. Wilson's obligations under the Sanction Order.

53. On May 24, 2017, the Receiver formally disallowed Wilson Claim 2 and Wilson Claim 3. Should Mr. Wilson seek to appeal the Receiver's disallowance, the Receiver may seek this Court's assistance to adjudicate it. In any event, based on the position taken in the OSC Letter and OSC's counsel's advice that garnishments are forthcoming, it appears to the Receiver that were Mr. Wilson to successfully dispute all or any part of the Receiver's disallowance, the OSC would intervene and take receipt of any distribution to be made by the Receiver to Mr. Wilson.

54. The Receiver is seeking the Court's authorization to pay the Wilson Unit Distribution directly to the OSC, in partial satisfaction of Mr. Wilson's obligations under the Sanction Order.

LITIGATION

55. As noted above and in the Third Report, First Leaside, under the direction of the CRO, retained Lax O'Sullivan to bring proceedings against Mr. Philips, Ms. Davis and 970877 Ontario Inc. ("**970**"), a wholly owned holdings company of Mr. Philips (the "**Civil Action**"), seeking an aggregate of approximately $6.5 million from Mr. Phillips and 970, and approximately $2.7 million from Ms. Davis, on account of unpaid loans and improper payments of funds out of First Leaside entities. The Receiver continued the Civil Action commenced by First Leaside.

56. The statement of claim in the Civil Action was issued on August 28, 2012, and served shortly thereafter. The defendants have provided their statement of defence, and the parties are working through the discovery process, which has been protracted.

57. The Receiver has determined, in consultation with Lax O'Sullivan, that based on the positions taken by parties to date, the amount of the Receiver's claim, the status of discovery and the complexity of the claims in the Civil Action, the Civil Action is unlikely to be resolved in the foreseeable future. As discussed in this Fourth Report, other than the Civil Action, the Receiver has substantially completed its mandate. However, the Civil Action represents a substantial asset of the First Leaside companies that, in the Receiver's view, ought to be prosecuted to its conclusion.

PHILIPS AND DAVIS CLAIMS

58. As discussed earlier in this Fourth Report, the Receiver held back distributions in respect of claims filed by Mr. Phillips and Ms. Davis in the Claims Process. In the Receiver's view, the resolution of these claims is interrelated with the resolution of the Civil Action (in respect of both Mr. Phillips and Ms. Davis) and the Merits Decision and Sanction Order (in the case of Mr. Phillips), because of the numerous relevant facts in common.

David Phillips Claims

59. On or about February 28, 2013, Mr. Phillips filed a proof of claim with the Receiver, claiming an aggregate unsecured amount of $3,384,425 (the "**Phillips Claims**"). The basis for the. Phillips Claims was alleged:

a) unpaid salary for the years 2010 and 2011 (totalling approximately $1.3 million of the aggregate claim);

b) damages for termination of employment with FLWM and First Leaside Securities Inc. (totaling approximately $1.8 million of the aggregate claim);

c) indemnification claims for legal fees incurred by Mr. Phillips in connection with the OSC investigation, an IIROC investigation and Civil Action (totalling approximately $240,000 of the aggregate claim) and;

d) indebtedness owing by FLWM to Mr. Phillips in respect of certain artwork (totalling approximately $18,000 of the aggregate claim).

60. On or about June 25, 2013, the Receiver issued a notice of disallowance to Mr. Phillips, disallowing the Phillips Claims in full. The Receiver's justification for the disallowance was stated in the notice of disallowance as follows:

a) In respect of the unpaid salary claimed, the board of directors of the applicable First Leaside entities did not approve the compensation claimed for the years 2010 and 2011, and therefore it was not properly owing;

b) In respect of the damages for termination of employment, the applicable First Leaside entities had just cause to terminate Mr. Phillip's employment, and therefore no damages are owing;

c) In respect of the indemnity claims, Mr. Phillips did not act honestly and in good faith, nor did he have reasonable grounds to believe his conduct was lawful, and therefore the indemnity agreement relied upon to base the claim does not apply on its terms; and

d) Regarding the artwork, there was no evidence of any indebtedness owing to Mr. Phillips on account of artwork, and therefore no basis for the claim.

61. On or about July 9, 2013, Mr. Phillips filed with the Receiver a notice of dispute, disputing the disallowance of the Phillips Claims and the Receiver's justification for doing so. No further steps have been taken in respect of the Philips Claims.

62. The Receiver's justification for disallowing Mr. Phillips' claim in respect of (b) and (c) were materially supported by the Merits Decision, and in respect of (a), (b) and (c), above, are each based on facts to be determined in the Civil Action, and accordingly in the Receiver's view the veracity of those justifications will be demonstrated when the Civil Action is resolved. The resolution of the outstanding claims by Mr. Phillips (other than the relatively *de minimis* and undocumented claim in respect of the art work) will accordingly be materially assisted by the resolution of the Civil Action.

63. The amount of distribution which would otherwise be owing to Mr. Phillips in respect of the Phillips Claims totals $890,198, which amount was held back in its

entirety from the Interim Distribution, in accordance with the Initial Distribution Order. In addition, the Receiver held back the further sum of $77,534 in respect of distributions Mr. Phillips would otherwise be entitled to on account of his units held in various First Leaside products. Both holdbacks are pending the resolution of the Civil Action.

64. In any event, based on the position taken in the OSC Letter referred to above, it appears to the Receiver that even if the Philips Claims were proven or he was entitled to any distribution, the OSC would seek to take receipt of any distribution.

Margaret Davis Claim

65. On or about February 28, 2013, Ms. Davis filed a proof of claim with the Receiver, claiming an aggregate unsecured amount of $442,967 (the "**Davis Claims**"). The basis for the Davis Claims was primarily related to alleged:

a) damages for termination of employment with FLWM (totalling $240,000 of the aggregate claim);

b) indemnification claims for legal fees incurred by Ms. Davis in connection with the Civil Action (totalling approximately $156,000 of the aggregate claim) and;

c) unpaid rent and property damage in respect of real property formerly occupied by First Leaside companies (totalling approximately $46,000 of the aggregate claim).

66. On or about June 25, 2013, the Receiver issued a notice of disallowance to Ms. Davis, disallowing the Davis Claims in full. The Receiver's justification for the disallowance was stated as follows in the notice of disallowance:

a) In respect of the damages for termination of employment, FLWM had just cause to terminate Ms. Davis' employment, and therefore no damages are owing;

b) In respect of the indemnity claims, Ms. Davis did not act honestly and in good faith, nor did she have reasonable grounds to believe her conduct was lawful, and therefore the indemnity agreement relied upon to base the claim does not apply on its terms; and

c) In respect of the rent and property claims, the rental arrangements between FLSI and Ms. Davis were improper, and the damages claimed were unsubstantiated, and therefore no rent or remediation costs are payable.

67. On or about July 9, 2013, Ms. Davis filed with the Receiver a notice of dispute, disputing the disallowance of her claim and the Receiver's justification for doing so. No further steps have been taken in respect of the Davis Claims.

68. As is the case with Mr. Phillip's claim, the Receiver's justification for disallowing the Davis Claims in respect of (a), (b) and part of (c), above, are each based on facts to be determined in the Civil Action. The resolution of the outstanding Davis Claims (other than the relatively *de minimis* and undocumented claim in respect

of property damage) will accordingly be materially assisted by the resolution of the Civil Action.

69. The amount of distribution which would otherwise be owing to Ms. Davis in respect of the Davis Claims totals $35,832, which amount was held back in its entirety from the Interim Distribution. The Receiver also held back a further sum of $54,587 in respect of the distribution otherwise payable to Ms. Davis on account of her units in various First Leaside products, pending resolution of the Civil Action.

MORTGAGE FUND SETTLEMENT

70. The Interim Distribution Order authorized the Receiver to hold back from the Interim Distribution amounts in respect of disputed and unresolved claims. One such claim was filed by Mortgage Fund as a secured claim for $640,086 against First Leaside Venture Limited Partnership ("**Ventures**"), related to a loan made by Mortgage Fund to Ventures.

71. The Receiver accepted Mortgage Fund's claim as an unsecured claim in the amount of $515,000, and set out the reasons for the partial disallowance and rejection of claim as secured in a notice of revision or disallowance. Mortgage Fund submitted a Notice of Dispute, in respect of the Receiver's Notice of Revision or Disallowance.

72. The Receiver and Mortgage Fund, through counsel, have negotiated a settlement for payment by the Receiver to Mortgage Fund of $570,000 (the

"**Mortgage Fund Settlement**"). A copy of the Mortgage Fund Settlement is attached hereto as **Appendix "B"**.

73. The Receiver believes the Mortgage Fund Settlement is fair and in the best interest of First Leaside stakeholders because:

a) It avoids the Receiver and Mortgage Fund from having to litigate this matter, which could result in significant costs to both parties;

b) It avoids interest on the claim which would otherwise be payable if the Receiver was unsuccessful in litigation; and

c) It brings certainty and finality to this matter.

74. Accordingly, the Receiver respectfully requests this Court approve the Mortgage Fund Settlement and the distribution to Mortgage Fund contemplated thereunder.

FIDELITY CLEARING AND ACCOUNT MAINTENANCE

75. On December 7, 2012, the Court issued an Order authorizing the CRO to execute on behalf of FLSI a Custodial and Services Agreement (the "**Custodial Agreement**") with Fidelity, as successor custodian to Penson Financial Services Canada Inc. ("**Penson**"). A copy of the Custodial Agreement was attached as Appendix 2 to the Combined Seventh Report of the Monitor and Pre-filing Report of the Proposed Receiver, dated December 5, 2012, and is reattached here as **Appendix "C"**.

76. Pursuant to the terms of the Custodial Agreement, Fidelity agreed to hold securities of clients of FLSI including, without limitation, securities held in

registered accounts. Accounts held by Fidelity are held in the name of FLSI's customers, not FLSI. Trades on behalf of FLSI clients of cash and securities in the applicable accounts would be cleared by Fidelity, subject to the CRO instructing Fidelity to refuse to clear a trade.

77. The Custodial Agreement was put in place with the participation of IIROC, following the announcement by Penson on September 28, 2012 that it would be ceasing operations in Canada. Fidelity was selected and the Custodial Arrangement negotiated against the background of concerns that the combination of the FLSI insolvency and Penson's decision to cease operations in Canada on short notice would be prejudicial to investors.

78. Under these circumstances, and in order to incentivize Fidelity to agree to the services provided under the Custodial Agreement, FLSI (by its CRO) agreed to make a $300,000 deposit, to be increased as agreed to meet margin and risk requirements, to secure Fidelity's costs (the "**Comfort Deposit**").

79. The Custodial Agreement furthermore provides for a monthly charge of $5,000 to be paid by FLSI (the "**Monthly Fidelity Fee**"), which amount has been paid monthly by the Receiver since its appointment on December 7, 2012.

80. Section 4(d) of the Custodial Agreement provides that Fidelity will not generally accept instructions directly from FLSI clients, and contemplates that trade instructions would come from the CRO only. This arrangement was interrupted when, on July 24, 2013, the Receiver transferred its interests in the US Funds pursuant to the US Funds Approval and Vesting Order.

81. Pursuant to the Custodial Agreement, Fidelity continues to hold securities of the US Funds on behalf of clients of FLSI following the transfer of the US Funds authorized by the US Funds Approval and Vesting Order. Because the Receiver transferred all of its interests in the US Funds, the Receiver has no mandate or jurisdiction with respect to the securities of the US Funds, and cannot give or approve instructions with respect to the distribution of any proceeds thereof to clients of FLSI.

82. To date, there have been distributions made by the US Funds to Fidelity on behalf of investors in the US Funds. Fidelity has advised the Receiver that it will not take direction regarding its duties under the Custodial Agreement as custodian from any party other than the Receiver. However, the Receiver is not the CRO and cannot give such instructions. This has created some delay and uncertainty regarding instructions received by Fidelity in respect of clients of FLSI, including those for whom Fidelity holds securities related to the US Funds.

83. The Receiver communicated to Fidelity its position that it does not have the mandate or jurisdiction to speak for or act on behalf of any clients of FLSI in a letter dated December 4, 2015, a copy of which is attached hereto as **Appendix "D"**.

84. Notwithstanding its formal inability to act on behalf of FLSI investors, the Receiver has facilitated discussions between Fidelity and the trustees of the US Funds (the "**Trustees**") in order to encourage the parties to correspond directly,

without the Receiver's involvement. Despite good faith efforts by all parties, to date the Receiver has been unable to extricate itself.

85. As stated above, the Receiver does not have the mandate or jurisdiction to speak for or act on behalf of any clients of FLSI and, the Receiver has determined that at this stage it is not necessary or appropriate for the Receiver to continue to pay the Monthly Fidelity Fee.

86. There are presently approximately 1200 accounts subject to the Custodial Agreement.

87. The Receiver has worked extensively with Fidelity and with the Trustees in order to coordinate an orderly wind-down of the Custodial Agreement structure, with the goal to achieve maximum efficiencies for the Receiver and the First Leaside estate, minimal exposure to Fidelity and minimal prejudice to former FLSI investors. The Receiver and Fidelity have determined that the following terms of wind-down will provide for an optimal result under the circumstances:

    a) Fidelity will continue to hold the remaining portion of the Comfort Deposit until the last First Leaside account has been closed, at which time the remainder of the Comfort Deposit (if any) will be transferred to the Receiver;

    b) Fidelity will apply the following charges (collectively, the "**Charges**") against any cash in the applicable account (whether existent or resulting from the liquidation of securities):

        (i) Deregistration Fees of $50 per deregistration;

(ii) Account Transfer Out Fees of $125 per transfer;

(iii) Cheque Issuance Fees of $8 per cheque;

(iv) Client validation charge of $125 per client inquiry;

(v) Payment processing fees of $75 per employee hour to process payments from issuers to client accounts.

These Charges are the same as the charges provided for under the existing Custodial Agreement, at Schedule A.

c) If there is insufficient cash in any account (following the liquidation of any marketable securities), Fidelity shall deduct the applicable Charges for that account from the Comfort Deposit.

d) Any Charges associated with the transfer of securities out of accounts that do not have cash in them shall be paid by the account holder, and Fidelity shall not apply any such charges against the Comfort Deposit;

e) Representative Counsel shall notify all holders of First Leaside accounts maintained by Fidelity of these wind-down terms within 14 calendar days (the "**Notice**") of the issuance of the order sought from this Court approving and enabling the wind-down terms, substantially in the form attached to the Receiver's motion record filed herewith as Tab 4 (the "**Fidelity Wind-up Order**");

f) For all First Leaside accounts containing assets that have not been transferred within 120 calendar days of the Notice being given, Fidelity shall be entitled to: (i) liquidate any marketable non-cash assets held in such accounts, or (ii) treat any non-marketable non-cash assets as defunct securities;

g) Fidelity will charge an account dormancy fee of $25 per month (the "**Account Dormancy Fee**") if no action is taken by any account holder to transfer his or her account within 90 calendar days of the liquidation of the last security holding in the account;

h) All reasonable legal fees incurred by Fidelity in connection with the First Leaside insolvency proceedings and related administrative matters shall be paid from the Comfort Deposit;

i) Fidelity shall provide an accounting of fees and expenses, including the application of funds from the Comfort Deposit and monthly fees paid by the Receiver, in form and substance acceptable to the Receiver (the "**Initial Report**"), within 14 calendar days from the issuance of the Fidelity Wind-up Order;

j) Fidelity shall provide the Receiver with reports, including an accounting of fees and expenses, on a bi-monthly basis, in form and substance acceptable to the Receiver, beginning two weeks after the delivery of the Initial Report;

k) The Custodial Agreement shall terminate, effective upon the issuance of the Fidelity Wind-up Order;

l) The Receiver shall cease paying the Fidelity Monthly Fee, effective September 30, 2017; and

m) Any affected party shall be entitled, on notice to the Receiver and Fidelity, to seek the Court's advice, direction or intervention regarding the implementation of any of the foregoing terms.

88. In the Receiver's view, the forgoing terms permit the Receiver to formally and finally extricate itself from the Custodial Agreement arrangements, while providing for an orderly transition for investors and ensuring that Fidelity is reasonably secured for its costs of administration.

89. The Receiver has discussed the proposed wind-down with representatives of CIPF and IIROC. The Receiver furthermore intends to work with Fidelity and Representative Counsel to provide a letter to all known account holders, which letter will advise of the Receiver's motion for the Fidelity Wind-up Order, and direct readers to the Receiver's website, where this Fourth Report and the Receiver's motion record will be available to download.

INTERIM DISTRIBUTION ORDER CORRECTION

90. The Receiver filed a motion record dated July 17, 2013, on notice to the service list, in which it sought, among other things, approval of the fees and disbursements of the Receiver for the period from December 8, 2012 to May 31, 2013.

91. As a result of administrative inadvertence, the draft Interim Distribution Order submitted to, and ultimately issued by, the Court provided at paragraph 12 that the fees and disbursements of the Receiver for the period from December 8,

2012 to May 31, 2011 were approved. A copy of the Interim Distribution Order is attached hereto as **Appendix "E"**.

92. The Receiver is accordingly seeking an order amending the Interim Distribution Order to correct the administrative error. The relief requested would provide, *nunc pro tunc*, that the applicable fee approval period in the Interim Distribution Order December 8, 2012 to May 31, 2013, as originally requested in the Receiver's July 17, 2013 notice of motion.

RECEIVER'S INTERIM RECEIPTS AND DISBURSEMENTS

93. Attached as **Appendix "F"**, is the Receiver's interim statement of receipts and disbursements dated March 31, 2017 (the "**March 2017 Interim R&D**"). The March 2017 Interim R&D reflects the Interim Distribution, various settlement amounts paid or received, and the professional fees paid to March 31, 2017. The Receiver respectfully seeks the Court's approval of the March 2017 Interim R&D. The March 2017 Interim R&D also reflects the various holdbacks which have been discussed in this Fourth Report.

FEES OF THE RECEIVER, ITS COUNSEL AND REPRESENTATIVE COUNSEL

94. The Receiver, the Receiver's legal counsel, and Representative Counsel have maintained detailed records of their professional time and costs since the Initial Order (as amended) and the Receivership Order were granted, and have continued to do so in these receivership proceedings.

95. The Receiver is working with three law firms as its counsel. Lax O'Sullivan has been specifically engaged in respect of the Civil Litigation. Cassels Brock formerly acted for the Receiver in respect of certain real property transactions and the WALP Transfer Agreement (discussed in paragraphs 124 through 130 of the Third Report), given their particular background and knowledge of the First Leaside entities. Blakes is acting as independent counsel in respect of all other matters.

96. Pursuant to paragraphs 30 - 32 of the Receivership Order, the Receiver and its counsel shall be paid their reasonable fees and disbursements and shall pass their accounts before the Court. The Receiver and its counsel have expended significant effort and time to carry out the administration of these receivership proceedings.

97. The total fees and disbursements of the Receiver during the period beginning June 1, 2013 and ending March 31, 2017 amount to $921,697.60 (the "**Receiver Fees and Disbursements**"), excluding applicable taxes. The time spent by the Receiver's personnel in the period is more particularly described in the affidavit of Mr. Jonathan Krieger of the Receiver, sworn May 2, 2017, in support of the Receiver's motion.

98. The total fees and disbursements of Blakes, in its capacity as counsel to the Receiver during the period beginning June 1, 2013 and ending March 31, 2017 amount to $530,363.53 (the "**General Counsel Fees and Disbursements**"), excluding applicable taxes. The time spent by the personnel of Blakes in the

period is more particularly described in the affidavit of Ms. Pamela Huff of Blakes, sworn May 25, 2017 in support of the motion.

99. The total fees and disbursements of Cassels Brock, in its capacity as real estate counsel to the Receiver during the period beginning June 1, 2013 and ending August 12, 2013 amount to $8,770.10 (the "**Real Estate Counsel Fees and Disbursements**"), excluding applicable taxes. The time spent by the personnel of Cassels Brock in the period is more particularly described in the affidavit of Mr. David Ward of Cassels Brock, sworn May 16, 2017 in support of the motion.

100. The total fees and disbursements of Lax O'Sullivan, in its capacity as litigation counsel to First Leaside and the Receiver during the period beginning June 1, 2013 and ending February 28, 2017 amount to $315,412.00 (the "**Litigation Counsel Fees and Disbursements**"), excluding applicable taxes. The time spent by the personnel of Lax O'Sullivan in the period is more particularly described in the affidavit of Ms. Jessica Zhi of Lax O'Sullivan, sworn April 24, 2017 in support of the motion.

101. The total fees and disbursements of Dentons for the period of June 5, 2013 to February 25, 2014 and Cassels Brock for the period of March 14, 2014 to March 31, 2014, in their capacity as representative counsel amount in the aggregate to $387,725.60 (the "**Representative Counsel Fees and Disbursements**"), excluding applicable taxes. The time spent by the personnel of Dentons and Cassels Brock in the period is more particularly described in the affidavit of Mr. Shayne Kukulowicz of Cassels Brock (formerly of Dentons), sworn April 21, 2017

in support of the motion. For clarity, Cassels Brock's mandate as real estate counsel and its mandate as Representative Counsel were not contemporaneous.

102. A summary of the Receiver Fees and Disbursements, General Counsel Fees and Disbursements, Real Estate Fees and Disbursements, Litigation Counsel Fees and Disbursements and Representative Counsel Fees and Disbursements, in each case based on the summaries set out in the applicable fee affidavit, are set out in **Appendix "G"**, broken down by calendar year. Appendix G illustrates that the fees and disbursements were primarily incurred in the early half of the applicable period when the final asset liquidations were taking place and the debt enforcement litigation was being commenced; 40% of the total fees and disbursements were incurred in the latter half of 2013 alone.

103. The Receiver respectfully submits that the Receiver Fees and Disbursements, General Counsel Fees and Disbursements, Real Estate Fees and Disbursements, Litigation Counsel Fees and Disbursements and Representative Counsel Fees and Disbursements are reasonable in the circumstances and have been validly incurred in accordance with the provisions of the Orders issued in the Receivership. Accordingly, the Receiver respectfully seeks the approval of the Receiver Fees and Disbursements, General Counsel Fees and Disbursements, Real Estate Fees and Disbursements, Litigation Counsel Fees and Disbursements and Representative Counsel Fees and Disbursements.

104. Copies of each of the affidavits sworn in support of the various fees and disbursements, redacted to protect privileged or confidential information, will be posted on the Receiver's Website.

RECEIVER'S REQUESTED RELIEF

105. The Receiver respectfully recommends that this Court grant the relief requested as set out in the Receiver's Notice of Motion, returnable June 6, 2017.

All of which is respectfully submitted,

GRANT THORNTON LIMITED,
In its capacity as Court-appointed Receiver of First Leaside and not in its personal capacity

Per:

Jonathan Krieger, CPA, CA, CIRP, LIT
Senior Vice President

Appendix "A"

Loan	Total Due at Time of Settlement	Set-off from Interim Distribution	Additional Settlement Amount	Amount paid (or to be paid) by Receiver	Comments
A. Net Amount Owing to Borrower					
Loan A	81,005	11,959	N/A	11,959	The Receiver learned that the amount which appeared to be outstanding to FLWM from this borrower had been repaid prior to the Receivership, contrary to the records of First Leaside. Accordingly, the Receiver paid out the Interim Distribution of $11,958.76 to this party on June 23, 2015 and is seeking retroactive approval of such distribution in connection with this Motion.
Loan B	6,800	10,583	N/A	3,783	This party's Interim Distribution was $3,783 greater than the debt owing by this borrower to FLWM. Accordingly, the Receiver paid out $3,783 to this party on June 19, 2015 and is seeking retroactive approval of such distribution in connection with this Motion.
Loan C	54,363	61,823	N/A	7,460	This party's Interim Distribution was $7,460 greater than the debt owing by this borrower to FLWM. Accordingly, the Receiver paid out $7,460 to this party on September 16, 2013 and is seeking retroactive approval of such distribution in connection with this Motion.
Loan D	39,505	28,705	N/A	28,705	This party's Interim Distribution was $28,705 which was held back on account of a perceived debt owing to FLWM. The Receiver learned that this amount had been repaid prior to the Receivership, contrary to the records of First Leaside and is requesting the Court's authorization to remit the Interim Distribution of $28,704 to this party.
Loan E	21,459	17,393	N/A	17,393	This party's Interim Distribution was $28,704.55 which was held back on account of a perceived debt owing to FLWM. The Receiver learned that this amount is not outstanding, contrary to the records of First Leaside, and is requesting the Court's authorization to remit the Interim Distribution of $17,393 to this party.

Loan	Total Due at Time of Settlement	Set-off from Interim Distribution	Additional Settlement Amount	Amount paid (or to be paid) by Receiver	Comments
B. Outstanding					
Loan F	129,318	N/A	N/A	N/A	The Receiver filed a statement of claim against these borrowers, each of whom reside in the US; however, the Receiver elected to not pursue these matters further.
Loan G	96,913	N/A	N/A	N/A	
Loan H	907,031	134,725	N/A	N/A	The Receiver and the borrower have been unable to come to aggregable terms despite negotiations and a mediation. The Receiver intends to pursue this claim if it is not settled in the near term.
Loan I	89,875	N/A	N/A	N/A	This indebtedness is an intercompany debt owing by FLI to FLWM. The Receiver does not intend to pursue it any further against the borrower.
Loan J	165,000	N/A	N/A	N/A	The Receiver intends to continue efforts to settle or prosecute this loan, including by seeking a statutory declaration and undertaking an asset search against Debtor J to determine the viability of enforcement were a judgment to be obtained.
Loan K	131,409	2,960	N/A	N/A	Debtor filed proposal, which was approved by the requisite majority of creditors. The Receiver has filed its proof of claim. No distributions have been made to date.
Loan L	151,172	21,321	N/A	N/A	Borrowers have agreed to sign a statutory declaration demonstrating that they are unable to make a payment. If acceptable to the Receiver, the Receiver requests the Court to authorize the Receiver to offset the applicable borrower's Interim Distribution against the amount owing to FLWM. If such relief is granted, the Receiver does not intend to pursue these loans any further.
Loan M	90,304	31,201	N/A	N/A	
Loan N	28,388	5,110	N/A	N/A	Despite retaining a collection agency, the Receiver has been unable to locate this borrower. Given the unsucsessful efforts to locate this borrower, the Receiver requests the Court to authorize the Receiver to offset this borrower's Interim Distribution against the amount owing to FLWM. If such relief is granted, the Receiver does not intend to pursue this loan any further.

Loan	Total Due at Time of Settlement	Set-off from Interim Distribution	Additional Settlement Amount	Amount paid (or to be paid) by Receiver	Comments
Loan O	17,131	5,998	N/A	N/A	The Receiver has been unable to reach an agreeable settlement with this borrower. However, given the amount of the claim, it is not economically efficient to pursue formal litigation, so the Receiver requests the Court authorize the Receiver to offset this borrower's Interim Distribution against the amount owing to FLWM. If such relief is granted, the Receiver does not intend to pursue this loan any further.

Appendix "B"

Settlement Agreement among the Receiver and Mortgage Fund

SETTLEMENT AGREEMENT

BETWEEN:

FIRST LEASIDE MORTGAGE FUND

- and -

GRANT THORNTON LIMITED, IN ITS CAPACITY AS COURT-APPOINTED RECEIVER OF FIRST LEASIDE VENTURE LIMITED PARTNERSHIP AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY

WHEREAS:

A. First Leaside Mortgage Fund (the "**Fund**") has made a claim in the receivership of First Leaside Venture Limited Partnership ("**Venture**") in respect of an alleged $580,000 secured loan made by the Fund to Venture, in respect of which the Fund claimed interest at a rate of 6% per annum which, as of December 7, 2012, has accrued to $60,086.12, for a total claim of $640,086.12 (collectively, the "**Fund Claim**")

B. The Fund claimed that security was granted in respect of the Fund Claim in the form of (a) a pledge of 100 common shares of 0742962 B.C. Ltd. and (b) a mortgage in the principle amount of $7,500,000 granted by 0742962 B.C. Ltd. in favour of First Leaside Realty II Inc., which in turn held the mortgage in trust for the Fund pursuant to a declaration of trust dated August 25, 2012.

C. On October 8, 2013, the Receiver issued a notice of revision or disallowance of claim (the "**Notice**") in respect of the Fund Claim, rejecting part of the monetary claim and rejecting that the Fund Claim was secured. The Notice provided for the Receiver's acceptance of $515,000 as an unsecured claim against Venture, for reasons set out therein.

D. The Fund disputes the Receiver's revision of its claim in the Notice.

E. The Receiver and the Fund have agreed to fully and finally resolve all claims of the Fund against Venture, and its affiliates, in consideration for the payment of the settlement amount as contemplated hereby.

NOW THEREFORE for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. The Fund and the Receiver agree to fully and finally settle the Fund Claim, including all principle and interest, for the aggregate amount of CDN$570,000 (the "**Settlement Amount**").

2. Delivery of this executed Settlement Agreement and payment of the Settlement Amount, subject to obtaining the Authorization Order (as defined below) if necessary, shall be in full and final satisfaction of the Fund Claim.

3. The payment by the Receiver of the Settlement Amount shall be subject to the granting of an order of the Ontario Superior Court of Justice [Commercial List] authorizing the Receiver to make payment of the Settlement Amount (the "**Authorization Order**"). The Receiver shall bring a motion seeking such order forthwith upon the execution of this Settlement Agreement.

4. It is understood and agreed between the parties hereto that the Receiver's agreement to pay the Settlement Amount does not constitute any admission as to the nature of the Fund Claim or an admission of any facts alleged by the Fund.

5. In consideration for the Settlement Amount, the Fund, for and on behalf of itself, its directors, officers, agents, employees and unitholders, and each of their respective successors and assigns, and the Receiver for and on behalf of Venture and its affiliates, and each of their respective successors and assigns, and not in its personal capacity, hereby irrevocably and forever release and discharge each other, and each other's respective directors, officers, agents, employees, unitholders and affiliates, and each of their respective successors and assigns, from any and all actions, causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, proceedings, liabilities, penalties, sums of money, obligations, interests, damages, claims and demands, recourses or remedies, whatsoever in law or in equity, whether expressed or implied, known or unknown, to which the Fund or the Receiver ever had, now have or may hereafter have against each other, arising from and with respect to the Fund Claim.

6. No amendment to this Settlement Agreement shall be effective unless made in writing and signed by both parties.

7. This Settlement Agreement shall be binding upon and shall enure to the benefit of the Fund, the Receiver and their respective executors, administrators, successors and assigns.

8. This Settlement Agreement embodies the entire agreement and understanding of the Fund and the Receiver with respect to the Fund Claim, and supersedes all prior written or oral commitments, arrangements or understandings with respect thereto.

9. This Settlement Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

10. This Settlement Agreement may be executed in any number of counterparts and by the undersigned in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed signature page by any of the undersigned by facsimile, "pdf" or e-mail transmission shall be effective as delivery of a manually executed copy by such undersigned.

FIRST LEASIDE MORTGAGE FUND

By: Steve Dietrich
Title: Chair of Trustees Mortgage Fund.

GRANT THORNTON LIMITED, solely in its capacity as Court-appointed Receiver of First Leaside Venture Limited Partnership, and not in its personal or corporate capacity.

By:
Title

IN WITNESS WHEREOF the Parties have executed this Settlement Agreement as of MAY 25, ________.

FIRST LEASIDE MORTGAGE FUND

____
By:
Title:

GRANT THORNTON LIMITED, solely in its capacity as Court-appointed Receiver of First Leaside Venture Limited Partnership, and not in its personal or corporate capacity.

____
By: J.K. RIEGER
Title SR. VICE PRESIDENT

Appendix "C"

Custodial Agreement among FLSI and Fidelity

CUSTODIAL and SERVICES AGREEMENT

AGREEMENT made the 5th day of December , 2012

B E T W E E N:

Name: First Leaside Securities Inc.

Address: 15 Allstate Parkway 6th Floor

Markham, Ontario

L3R 5B4

("Member")

OF THE FIRST PART

- and -

Name: Fidelity Clearing Canada ULC

Address: 483 Bay St , Ste 200

Toronto, Ontario

M5G 2N7

("Custodian")

OF THE SECOND PART

WHEREAS:

A. The Member is a member (currently suspended) of the Investment Industry Regulatory Organization of Canada (the "SRO"), a self-regulatory organization which is a participating institution in the Canadian Investor Protection Fund;

B. the Custodian provides custodial and depository services and meets the criteria as an acceptable securities location set out in the by-laws, rules and regulations of the SRO (the "SRO Requirements");

C. the Custodian provides services, including custodial and/or depository services, to the Member in connection with the segregation obligations of members of the SRO;

D. the by-laws, rules and regulations of the SRO require that the terms upon which any securities are deposited with the Custodian for the Member or its customers include certain written provisions to the effect of paragraphs 1(a), (b) and (c) hereof; and

E. the parties hereto desire to comply with the SRO Requirements;

IN CONSIDERATION of these premises and other good and valuable consideration received and acknowledged by each of the parties hereto, the parties agree as follows:

1. **Terms of Segregation**

The Custodian shall ensure, in respect of any securities deposited with and held by it for the Member or customers of the Member in accordance with the by-laws, rules and regulations of the SRO that, subject to securing the payment of the reasonable and agreed administration fees and charges in respect of the custodial and depositary services provided:

(a) no use or disposition of such securities shall be made without the prior written consent of the Member;

(b) certificates representing such securities shall be delivered to the Member promptly on demand or, when certificates are not available and the securities are represented by book entry by the Custodian, the securities shall be able to be transferred either from the Custodian or to the account of any other person maintaining an account at the Custodian promptly on demand; and

(c) securities shall be held in segregation for the Member or its customers free and clear of any charge, lien, claim or encumbrance of any kind in favour of the Custodian including, without limitation, such of the same as may otherwise arise in respect of margin account dealings.

2. Records

The Custodian shall maintain records in readily accessible form sufficient to identify the securities and other property held by it for the Member and its customers pursuant to this agreement separate and distinct from any other securities or property held by the Custodian. Accounts for securities and property held hereunder shall be in the name of the Member's customers. The Custodian shall permit access to such records or provide confirmation of their contents to the auditors of the Member within seven business days of written request. The Member shall be entitled to receive a report from the Custodian not less frequently than monthly disclosing the state of any account of the Member held by the Custodian including the amount, value and identification of securities by issue held for such account, any deficiencies, and accrued and unpaid fees or charges.

3. Custodian Indemnity

The Custodian shall indemnify and save harmless the Member against and from any and all losses of the Member as a result of the failure of the Custodian to return to the Member any securities or property held by it in accordance with this agreement, provided that the liability of the Custodian under this Section shall be limited to the market value of the securities and property as at the time which it was required to deliver to the Member the securities and property.

4. Clearing Services

(a) In connection with the execution services provided by the Custodian hereunder, the Custodian agrees to use its reasonable best efforts to clear all such trades effected by the Member's clients (the "Clearing Services"). Only liquidating trades will be permitted, and all such trades must be effected through the facilities of the Custodian's trade desk. The Custodian reserves the right, in its sole discretion, and on advice to the Member, to refuse to clear any order if in its opinion such order represents an unreasonable credit risk or could give rise to a breach of applicable law or SRO Requirements.

(b) The Custodian shall comply with all applicable law and SRO Requirements as the same relate to the Clearing Services and to all other matters and proceedings to be provided or contemplated to be provided by it by this Agreement. (c) The Member and its clients shall place all orders to be executed by the Custodian for clearing through the Custodian's order management system or the Custodian's order desk in Toronto. Unless the Custodian is unable to provide the Clearing Services contemplated herein, the Member agrees that it will utilize the Custodian's trade desk exclusively, and will not utilize the services of any other executing broker.

(d) Without limiting the generality of the foregoing, the Member agrees to indemnify and save harmless the Custodian from any loss, liability, damages, costs or expenses which the Custodian may suffer or incur by reason of the failure of the Member to make any payment of money or delivery of securities to the Custodian as and when required by it (e) It is agreed that the Custodian will only act upon trading or other client instructions that are received directly from the Member or its successor, in order that the source of the instructions can be properly validated. The Custodian will not generally accept instructions directly from the Member's client.

(f) This Agreement is also contingent on the Member's affiliate providing an undertaking to the Custodian that it will consider all certificates it has issued and currently held by and registered to Penson Financial Services Canada (either directly or in trust for registered accounts) to be equally negotiable by the Custodian upon presentation of said certificate.

5. **Member Reporting**

In addition to the foregoing, the Member agrees to provide to the Custodian, throughout the term of this Agreement, true, correct and complete copies of (i) any material amendments to the Member's registration with IIROC, including but not limited to amendments or changes to name, address, ownership, officers, directors and disciplinary history or events within five calendar days of its filing such change with IIROC, (ii) to the extent permitted by law, any notices which the Member receives concerning any investigation of its business or operations by IIROC, any governmental agency, or other self-regulatory organization, or of any restrictions or limitations on the Member's business by the IIROC, any governmental agency, or other self-regulatory organization, within one day of the Member's receipt thereof, (iii) any notices which the Member files with the IIROC, any governmental agency, or other self-regulatory organization with respect to deficiencies in capital or other regulatory deficiencies, (iv) copy of any revisions to the Member's authorization to conduct business issued by IIROC or other self-regulatory organization, and (v) any court orders that impact the business of the Member in any way

6. **Other Services**

The Custodian's services and responsibilities are limited to those expressly set forth herein and all other responsibilities and undertakings shall be the responsibility of the Member.

7. **Deposit**

The Custodian will require from the Member a deposit in the amount of $300,000 which will be held in a separate account on its behalf and invested by the Custodian in Government of Canada Treasury Bills. The Member agrees to increase the Deposit as agreed upon to meet margin and/or risk requirements as requested by the Custodian. The Custodian may offset any amounts payable to the Custodian under the attached Schedule A against this Deposit as required.

Member hereby agrees to obtain from the Court on the Receivership Application a first priority charge in favour of the Custodian on the Deposit including, without limitation, in all property and assets forming a part thereof, as constituted from time to time.

8. **Term**

This agreement shall remain in full force and effect as long as the Custodian holds any securities on behalf of the Member or its customers; provided, however, that this agreement may be terminated at any point by the Custodian if, in the Custodian's sole opinion, the courts administering any wind down, liquidation, insolvency proceeding or bankruptcy related to the Member have set aside, novated or otherwise failed to honour (or asserted a future intention not to honour) the indemnification provided by the Member to the Custodian set forth below in Section 9 and provided that, at the time of such termination, the Custodian shall have returned to the Member, or as the Member shall have directed, all securities of the Member then held by the Custodian.

9. **Member Indemnity**

The Member and any successor thereto (including any trust or entity created in connection with a wind down or dissolution of the Member or bankruptcy estate related to the Member) agrees fully to indemnify, hold harmless and reimburse the Custodian and its officers, directors, employees, agents, successors and assigns (collectively, "Indemnified Parties"), on a current basis, from and against any and all losses, claims, actions, demands, suits, proceedings, damages and expenses, including, without limitation, regulatory or self-regulatory organization fines, attorneys' fees and expenses, costs of collection, and any other costs suffered or incurred by any such Indemnified Party, except to the extent due to an Indemnified Party's gross negligence or willful misconduct, arising out of or relating to any act or omission of the Custodian in the course of it in good faith carrying out its obligations under this Agreement. Notwithstanding anything in this Agreement to the contrary, the Custodian shall have no liability for any special, indirect or consequential damages, whether or not the likelihood of such loss or damage was known by Custodian. The Custodian shall have no liability for losses or damages occurring by reasons directly or indirectly outside of the Custodian's control. The Custodian acknowledges that the Member is the subject matter of a receivership application to the Ontario Superior Court of Justice (the "Receivership Application") pursuant to which Grant Thornton Limited is to be appointed receiver and manager of the Member (the "Receiver"). The Custodian acknowledges and agrees that to the extent that the Receiver causes the Member to honour the provisions of this agreement subsequent to the Receiver's appointment, the Receiver shall have no personal liability hereunder for any payment or other obligations. The Member agrees and acknowledges that, other than in respect of the Deposit, the Custodian shall only have unsecured recourse to the assets of the Member in respect of the Member's obligations under this agreement.

10. **Binding Effect**

This agreement shall extend to and enure to the benefit of and be binding upon the successors and assigns of the parties hereto but shall not be assigned by the Custodian without the prior written consent of the Member.

11. **English Language**

This agreement has been drawn up in the English language at the request of the parties. Les parties ont requis que la présente convention soir rédigée en anglais

The parties have executed this agreement under the hands of their authorized officers as of the date set out above.

Fidelity Clearing Canada ULC

Per: ______________________________

Position: ___________________________

First Leaside Securites Inc.

Per: ______________________________

Position: Chief Restructuring Officer

Schedule A

Custodian Schedule of Fees and Charges Applicable to Member and/or its Clients

Minimum monthly charge is $5000.00, which is exclusive of any pass through costs listed below.

All fees are due 30 days from billing date. In the event that this Agreement is terminated, by either party, fees will be due and calculated on a year to date basis.

Pricing and the monthly minimum charge is established and due for the term of the contract. The following charges will be billed directly to client accounts. Should the following charges for any calendar month not total greater than the minimum monthly charge above (excluding pass through costs), then the difference will be billed to the Member, with such charges being applied against the Member's comfort deposit as required.

All transactions listed below are restricted to liquidating trades only.

Trades on a listed North American exchange or marketplace:	$25 flat
Over the counter North American trades:	$50 flat
Non-North American trades:	$75 + any market specific pass-through costs
Mutual Fund Trades (Fundserv eligible)	$25
Mutual Fund Trades (non-Fundserv eligible)	$50

Options Trading Fees

, The following will be applied to Options trades:

Option Trades	Per Options Contract Charge
Canadian Market trades	$25.00 CDN Trade
U.S. Market trades	$25.00 USD Trade

Per contract charges for option contracts

For option contracts greater than 25,000 in any month

$0.25 (CAD) Canadian options
$0.25 (USD) US options

Interest Payments and Charges

No interest will be paid on any credit balances. Debit interest will be charged at Prime Rate + 4%.

Exchange Fees and Execution Counterparty Fees

All Exchange and execution fees will be passed through at cost.

Other Fees

Item	Per Unit Cost
EFT funds transfer	No charge
Regular (ie non-certified) Cheques	$8.00
Certified Cheque	$15.00
Wire Transfer	$30.00
Wire Transfer to the US	$35.00
Wire Transfer to other countries	$40.00
Stop Payment	$20.00
NSF Cheque/Returned Items	$30.00
Research Request (minimum one hour)	$75.00/hour
Copy of Trade Confirmation when requested of FCC	$10.00
Copy of Account Statement when requested of FCC	$10.00
Courier costs - Canada	$10
Courier costs – USA	$20
Courier costs - International	$50
Estate Transfer (minimum one hour)	$75.00/hour
Registered Plan Administration - per account per month	$3
Registered Plan Deregistration – Partial or Full	$50
Tax Free Savings Account – per account per month	$1
Account Transfers Out – Full ,Partial or In Kind	$125
Certificate Withdrawals	$75
Dataphile Internet Access costs	$30 per month per user
Third Party Legal Costs	Pass-through

Trade Definition

A trade is defined, but not limited to, as follows:

- Exchange trades to a client account, institutional account, inventory, holding or average price account.
- A trade or entry out of an inventory, holding or average price account to a client account (retail or institutional).
- An entry which creates a trade confirmation.

Cancel and corrections will be charged back to Member unless the error was created by Custodian. It will be Member's responsibility to advise Custodian of these adjustments within 30 days of month end.

Trades, which are canceled and corrected, will be charges as follows, one charge for the original trade, one charge for the cancelled trade and one charge for the corrected trade.

Other Services Fees / Charges:

Miscellaneous

The following items will be the responsibility of the Member or charged at cost by Custodian if Custodian facilitates the delivery of these services.

- Telecommunications equipment and network connectivity.
- Year end tax processing including printing and postage.
- IT development.
- Professional and consulting services.
- Brokerage services.
- Audit requirements imposed by Member and/or any regulatory bodies.
- All services not specifically mentioned in this proposal are subject to negotiation at the time of the request..

Appendix "D"

Letter dated December 4, 2015 from the Receiver to Fidelity

Grant Thornton

December 4, 2015

Stephen Downs
Fidelity Clearing Canada
483 Bay Street, South Tower, Suite 200
Toronto, ON M5G 2N7

Grant Thornton Limited
11th Floor
200 King Street, Box 11
Toronto, ON
M5H 3T4

T (416) 366-0100
F (416) 360-4949
www.GrantThornton.ca

Dear Mr. Downs

Re: In the Matter of the Receivership of the First Leaside Group of Companies

---

As you are aware, we are the Court appointed receiver (in such capacity, the "**Receiver**") of the First Leaside group of companies (collectively, "**First Leaside**"), including First Leaside Securities Inc. ("**FLSI**"). We are writing in connection with the Custodial and Services Agreement dated December 5, 2012 between Fidelity Clearing Canada ULC and FLSI (the "**Agreement**"), attached as Schedule A, and the correspondence between Fidelity and the Receiver in respect of the Agreement dating back to November, 2014.

Fidelity has expressed that it will not take direction regarding its duties under the Agreement as custodian from any party other than the Receiver of FLSI. This has created some delay and uncertainty regarding instructions received by Fidelity in respect of clients of FLSI, including those for whom Fidelity holds securities related to the US Funds (defined below). This letter is to reiterate our previously stated position that the Receiver does not have the mandate or jurisdiction to speak for or act on behalf of any clients of FLSI. The purpose of this letter is also to summarize the correspondence between the Receiver, Fidelity, and the trustees of the US Funds (the "**Trustees**"), and suggest a go forward plan for the administration of the Agreement.

Background

On February 23, 2012 First Leaside applied for and received an initial order for protection from its creditors pursuant to the *Companies' Creditors Arrangement Act* from the Ontario Superior Court of Justice

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(Commercial List) (the "**Court**"), which, among other things, appointed Grant Thornton Limited as monitor of the Applicants. On December 7, 2012, the Court issued an order which, among other things, discharged Grant Thornton Limited as Monitor and appointed it as Receiver. As part of the transition, the Court authorized the Chief Restructuring Officer of First Leaside to execute on behalf of FLSI the Agreement.

Subsequently, on July 24, 2013 the Court issued an order (the "**July 2013 Order**") approving the transfer by the Receiver of its interest in the following entities (referred to as the "**US Funds**") to certain purchasers:

- Wimberly Fund;
- First Leaside Fund;
- First Leaside Properties Fund; and
- First Leaside Mortgage Fund ("**Mortgage Fund**").

Pursuant to the Agreement, Fidelity continues to hold securities of the US Funds on behalf of clients of FLSI following the transfer of the US Funds authorized by the July 2013 Order. Because the Receiver transferred all of its interests in the US Funds, the Receiver has no mandate or jurisdiction with respect to the securities of the US Funds, and cannot give or approve instructions with respect to the distribution of any proceeds thereof to clients of FLSI.

<u>The First Leaside Mortgage Fund Cheque</u>

On March 10, 2015, Fidelity contacted the Receiver in respect of a cheque Fidelity received from counsel to the Mortgage Fund for approximately $411,000, which included deposit instructions to the investors who hold certificates of Mortgage Fund. Fidelity requested that the Receiver obtain an electronic copy of the deposit instructions. In an effort to assist Fidelity but without any obligation to do so, the Receiver made inquiries of the Mortgage Fund and its counsel, who advised that the deposit related to a distribution for an entity included in the US Funds. The Receiver advised Fidelity that it could not and would not make any representation with respect to the accuracy of the information as, indeed, it had no ability or legal capacity to do so as a result of the July 2013 Order.

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The Receiver put Fidelity in touch with the Trustees, who provided the requested information, and there has been no further correspondence involving the Receiver on this matter.

The First Leaside Fund and Wimberly Fund Cheques and Deposit of Certificates

On April 7, 2015, Fidelity contacted the Receiver to inquire about a package (the "**April 2015 Package**") received from the Trustees containing:

- Cheques totalling approximately $1.6 million with deposit instructions to the investors of First Leaside Fund and Wimberly Fund (the "**Deposits**"); and
- Investment certificates with deposit instructions related to investor holdings of First Leaside Fund and Wimberly Fund (the "**Certificates**").

Fidelity again articulated to the Receiver its hesitation to follow the instructions in the April 2015 Package in light of the Agreement and, specifically, Fidelity's understanding that pursuant to the Agreement, the only party from whom Fidelity could take instructions with respect to securities of clients of FLSI was the Receiver, in its capacity as receiver of FLSI. Moreover, the Receiver was advised that if instructions were not given, the Deposits and Certificates would not be deposited to investor accounts.

Having no mandate in respect of the US Funds or the clients of FLSI, the Receiver did not object to Fidelity following the instructions of the Trustees for the benefit of the investors of the Funds. As a result, between April 2015 and October 2015, the Receiver participated in several phone calls and numerous email correspondence with Fidelity and the Trustees to facilitate answers from the Trustees to Fidelity's questions and concerns with respect to the instructions included in the April 2015 Package. The Receiver took these steps to facilitate a dialogue between Fidelity and the Trustees, however, by necessity, the directions ultimately came from the Trustees and the Trustees alone.

In October 2015, the Trustees provided the Receiver with a revised set of instructions in accordance with Fidelity's requests with respect to the information included in the April 2015 Package (the "**October 2015 Package**"). The Receiver understands that as of the date of this letter, Fidelity has applied the majority of the Deposits and Certificates included in the October 2015 Package, but a minimal amount of Deposits and Certificates have not yet been applied as a result of discrepancies noted by Fidelity (the

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"**Remaining Deposits and Certificates**"). These discrepancies were outlined in an email from Fidelity to the Receiver and subsequently passed along by the Receiver to the Trustees. The Trustees have since provided instructions for the Remaining Deposits and Certificates, however the Receiver does not have the ability or capacity to verify the instructions or to perform any due diligence with respect to same. In order for Fidelity to process the Remaining Deposits and Certificates, the Receiver recommends that Fidelity and the Trustees correspond directly.

Future Administration

The administration of the receivership will likely end before all matters pertaining to the Trustees and the US Funds have been resolved. Accordingly, the Receiver will, in the foreseeable future, no longer be available to facilitate dialogue between the Trustees and Fidelity. In order to ensure an orderly and efficient transition, the Receiver believes it would be beneficial to commence discussions with Fidelity and the Trustees to develop an alternate workable arrangement, which may include a process whereby investors in the US Funds work directly with the Trustees and/or Fidelity to deregister their investments held by Fidelity, and/or the replacement of Fidelity as custodian. As such, we would recommend that discussions between the Receiver, Fidelity and the Trustees begin soon, to ensure the process is as orderly and efficient as possible and to ensure that the investors in the US Entities are not prejudiced.

If you have any questions, please feel free to contact Jonathan Krieger at 416-360-5055. We look forward to your timely response.

Yours truly,

GRANT THORNTON LIMITED,
In its capacity as Receiver of
First Leaside and in no other capacity

Per:

Jonathan Krieger, CPA, CA, CIRP
Senior Vice President

Copy: Steve Dietrich (Chair of the Trustees), Mike Hanley (Counsel to the US Funds), Pam Huff (Counsel to the Receiver)

Schedule A

CUSTODIAL and SERVICES AGREEMENT

AGREEMENT made the 5th day of December , 2012

B E T W E E N:

Name: First Leaside Securities Inc.

Address: 15 Allstate Parkway 6th Floor

Markham, Ontario

L3R 5B4

("Member")

OF THE FIRST PART

- and -

Name: Fidelity Clearing Canada ULC

Address: 483 Bay St , Ste 200

Toronto, Ontario

M5G 2N7

("Custodian")

OF THE SECOND PART

WHEREAS:

A. The Member is a member (currently suspended) of the Investment Industry Regulatory Organization of Canada (the "SRO"), a self-regulatory organization which is a participating institution in the Canadian Investor Protection Fund;

B. the Custodian provides custodial and depository services and meets the criteria as an acceptable securities location set out in the by-laws, rules and regulations of the SRO (the "SRO Requirements");

C. the Custodian provides services, including custodial and/or depository services, to the Member in connection with the segregation obligations of members of the SRO;

D. the by-laws, rules and regulations of the SRO require that the terms upon which any securities are deposited with the Custodian for the Member or its customers include certain written provisions to the effect of paragraphs 1(a), (b) and (c) hereof; and

E. the parties hereto desire to comply with the SRO Requirements;

IN CONSIDERATION of these premises and other good and valuable consideration received and acknowledged by each of the parties hereto, the parties agree as follows:

1. **Terms of Segregation**

The Custodian shall ensure, in respect of any securities deposited with and held by it for the Member or customers of the Member in accordance with the by-laws, rules and regulations of the SRO that, subject to securing the payment of the reasonable and agreed administration fees and charges in respect of the custodial and depositary services provided:

(a) no use or disposition of such securities shall be made without the prior written consent of the Member;

(b) certificates representing such securities shall be delivered to the Member promptly on demand or, when certificates are not available and the securities are represented by book entry by the Custodian, the securities shall be able to be transferred either from the Custodian or to the account of any other person maintaining an account at the Custodian promptly on demand; and

(c) securities shall be held in segregation for the Member or its customers free and clear of any charge, lien, claim or encumbrance of any kind in favour of the Custodian including, without limitation, such of the same as may otherwise arise in respect of margin account dealings.

2. Records

The Custodian shall maintain records in readily accessible form sufficient to identify the securities and other property held by it for the Member and its customers pursuant to this agreement separate and distinct from any other securities or property held by the Custodian. Accounts for securities and property held hereunder shall be in the name of the Member's customers. The Custodian shall permit access to such records or provide confirmation of their contents to the auditors of the Member within seven business days of written request. The Member shall be entitled to receive a report from the Custodian not less frequently than monthly disclosing the state of any account of the Member held by the Custodian including the amount, value and identification of securities by issue held for such account, any deficiencies, and accrued and unpaid fees or charges.

3. Custodian Indemnity

The Custodian shall indemnify and save harmless the Member against and from any and all losses of the Member as a result of the failure of the Custodian to return to the Member any securities or property held by it in accordance with this agreement, provided that the liability of the Custodian under this Section shall be limited to the market value of the securities and property as at the time which it was required to deliver to the Member the securities and property.

4. Clearing Services

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(b) The Custodian shall comply with all applicable law and SRO Requirements as the same relate to the Clearing Services and to all other matters and proceedings to be provided or contemplated to be provided by it by this Agreement. (c) The Member and its clients shall place all orders to be executed by the Custodian for clearing through the Custodian's order management system or the Custodian's order desk in Toronto. Unless the Custodian is unable to provide the Clearing Services contemplated herein, the Member agrees that it will utilize the Custodian's trade desk exclusively, and will not utilize the services of any other executing broker.

(d) Without limiting the generality of the foregoing, the Member agrees to indemnify and save harmless the Custodian from any loss, liability, damages, costs or expenses which the Custodian may suffer or incur by reason of the failure of the Member to make any payment of money or delivery of securities to the Custodian as and when required by it (e) It is agreed that the Custodian will only act upon trading or other client instructions that are received directly from the Member or its successor, in order that the source of the instructions can be properly validated. The Custodian will not generally accept instructions directly from the Member's client.

(f) This Agreement is also contingent on the Member's affiliate providing an undertaking to the Custodian that it will consider all certificates it has issued and currently held by and registered to Penson Financial Services Canada (either directly or in trust for registered accounts) to be equally negotiable by the Custodian upon presentation of said certificate.

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In addition to the foregoing, the Member agrees to provide to the Custodian, throughout the term of this Agreement, true, correct and complete copies of (i) any material amendments to the Member's registration with IIROC, including but not limited to amendments or changes to name, address, ownership, officers, directors and disciplinary history or events within five calendar days of its filing such change with IIROC, (ii) to the extent permitted by law, any notices which the Member receives concerning any investigation of its business or operations by IIROC, any governmental agency, or other self-regulatory organization, or of any restrictions or limitations on the Member's business by the IIROC, any governmental agency, or other self-regulatory organization, within one day of the Member's receipt thereof, (iii) any notices which the Member files with the IIROC, any governmental agency, or other self-regulatory organization with respect to deficiencies in capital or other regulatory deficiencies, (iv) copy of any revisions to the Member's authorization to conduct business issued by IIROC or other self-regulatory organization, and (v) any court orders that impact the business of the Member in any way

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Member hereby agrees to obtain from the Court on the Receivership Application a first priority charge in favour of the Custodian on the Deposit including, without limitation, in all property and assets forming a part thereof, as constituted from time to time.

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9. **Member Indemnity**

The Member and any successor thereto (including any trust or entity created in connection with a wind down or dissolution of the Member or bankruptcy estate related to the Member) agrees fully to indemnify, hold harmless and reimburse the Custodian and its officers, directors, employees, agents, successors and assigns (collectively, "Indemnified Parties"), on a current basis, from and against any and all losses, claims, actions, demands, suits, proceedings, damages and expenses, including, without limitation, regulatory or self-regulatory organization fines, attorneys' fees and expenses, costs of collection, and any other costs suffered or incurred by any such Indemnified Party, except to the extent due to an Indemnified Party's gross negligence or willful misconduct, arising out of or relating to any act or omission of the Custodian in the course of it in good faith carrying out its obligations under this Agreement. Notwithstanding anything in this Agreement to the contrary, the Custodian shall have no liability for any special, indirect or consequential damages, whether or not the likelihood of such loss or damage was known by Custodian. The Custodian shall have no liability for losses or damages occurring by reasons directly or indirectly outside of the Custodian's control. The Custodian acknowledges that the Member is the subject matter of a receivership application to the Ontario Superior Court of Justice (the "Receivership Application") pursuant to which Grant Thornton Limited is to be appointed receiver and manager of the Member (the "Receiver"). The Custodian acknowledges and agrees that to the extent that the Receiver causes the Member to honour the provisions of this agreement subsequent to the Receiver's appointment, the Receiver shall have no personal liability hereunder for any payment or other obligations. The Member agrees and acknowledges that, other than in respect of the Deposit, the Custodian shall only have unsecured recourse to the assets of the Member in respect of the Member's obligations under this agreement.

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The parties have executed this agreement under the hands of their authorized officers as of the date set out above.

Fidelity Clearing Canada ULC

Per: ______________________________

Position: ___________________________

First Leaside Securites Inc.

Per: ______________________________

Position: Chief Restructuring Officer

Schedule A

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Minimum monthly charge is $5000.00, which is exclusive of any pass through costs listed below.

All fees are due 30 days from billing date. In the event that this Agreement is terminated, by either party, fees will be due and calculated on a year to date basis.

Pricing and the monthly minimum charge is established and due for the term of the contract. The following charges will be billed directly to client accounts. Should the following charges for any calendar month not total greater than the minimum monthly charge above (excluding pass through costs), then the difference will be billed to the Member, with such charges being applied against the Member's comfort deposit as required.

All transactions listed below are restricted to liquidating trades only.

Trades on a listed North American exchange or marketplace:	$25 flat
Over the counter North American trades:	$50 flat
Non-North American trades:	$75 + any market specific pass-through costs
Mutual Fund Trades (Fundserv eligible)	$25
Mutual Fund Trades (non-Fundserv eligible)	$50

Options Trading Fees

, The following will be applied to Options trades:

Option Trades	Per Options Contract Charge
Canadian Market trades	$25.00 CDN Trade
U.S. Market trades	$25.00 USD Trade

Per contract charges for option contracts

For option contracts greater than 25,000 in any month

$0.25 (CAD) Canadian options
$0.25 (USD) US options

Interest Payments and Charges

No interest will be paid on any credit balances. Debit interest will be charged at Prime Rate + 4%.

Exchange Fees and Execution Counterparty Fees

All Exchange and execution fees will be passed through at cost.

Other Fees

Item	Per Unit Cost
EFT funds transfer	No charge
Regular (ie non-certified) Cheques	$8.00
Certified Cheque	$15.00
Wire Transfer	$30.00
Wire Transfer to the US	$35.00
Wire Transfer to other countries	$40.00
Stop Payment	$20.00
NSF Cheque/Returned Items	$30.00
Research Request (minimum one hour)	$75.00/hour
Copy of Trade Confirmation when requested of FCC	$10.00
Copy of Account Statement when requested of FCC	$10.00
Courier costs - Canada	$10
Courier costs – USA	$20
Courier costs - International	$50
Estate Transfer (minimum one hour)	$75.00/hour
Registered Plan Administration - per account per month	$3
Registered Plan Deregistration – Partial or Full	$50
Tax Free Savings Account – per account per month	$1
Account Transfers Out – Full ,Partial or In Kind	$125
Certificate Withdrawals	$75
Dataphile Internet Access costs	$30 per month per user
Third Party Legal Costs	Pass-through

Trade Definition

A trade is defined, but not limited to, as follows:

- Exchange trades to a client account, institutional account, inventory, holding or average price account.
- A trade or entry out of an inventory, holding or average price account to a client account (retail or institutional).
- An entry which creates a trade confirmation.

Cancel and corrections will be charged back to Member unless the error was created by Custodian. It will be Member's responsibility to advise Custodian of these adjustments within 30 days of month end.

Trades, which are canceled and corrected, will be charges as follows, one charge for the original trade, one charge for the cancelled trade and one charge for the corrected trade.

Other Services Fees / Charges:

Miscellaneous

The following items will be the responsibility of the Member or charged at cost by Custodian if Custodian facilitates the delivery of these services.

- Telecommunications equipment and network connectivity.
- Year end tax processing including printing and postage.
- IT development.
- Professional and consulting services.
- Brokerage services.
- Audit requirements imposed by Member and/or any regulatory bodies.
- All services not specifically mentioned in this proposal are subject to negotiation at the time of the request..

Appendix "E"

Interim Distribution Order, dated July 24, 2013

Court File No. CV-12-9930-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	WEDNESDAY, THE 24th
	)	
JUSTICE MORAWETZ	)	DAY OF JULY, 2013

IN THE MATTER OF THE RECEIVERSHIP OF First Leaside Wealth Management Inc. and the Applicants Listed on Schedule "A" (collectively, **"First Leaside"**)

INTERIM DISTRIBUTION ORDER

THIS MOTION, made by Grant Thornton Limited (**"GTL"**) in its capacity as the Court-appointed receiver (the **"Receiver"**), without security, of all of the assets, undertakings and properties of First Leaside, for an order:

(a) 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 July 24, 2013;

(b) approving the Receiver's proposed distribution matrix (the **"Distribution Matrix"**) as described in the Third Report of the Receiver dated July 17, 2013 (the **"Third Report"**), including the Receiver's allocation of those general costs that were not specifically incurred in respect of a particular First Leaside entity (**"General Costs"**) and costs that were allocated to certain entities (the **"Other Entities"**) pursuant to a billing protocol that was established in the CCAA proceedings of First Leaside Wealth Management Inc. (**"FLWM"**) and certain of its affiliates and subsidiaries, Court File No. 12-9617-00CL (the "**CCAA Proceedings**");

(c) authorizing and directing the Receiver to make an interim distribution (the "**First Interim Distribution**") of proceeds of realization to known creditors of First Leaside ("**Creditors**") and investors who are clients of First Leaside Securities Inc. ("**Investors**"), after accounting for certain holdbacks from the net proceeds of realization in respect of (i) disputed and unresolved claims; (ii) future operating costs of the receivership; and (iii) the Director's Charge established in the CCAA Proceedings in the amount of $250,000 and continued at paragraph 14 of the Discharge and Transition Order dated December 7, 2012 issued in the CCAA Proceedings; and (iv) applying a holdback from the First Interim Distribution of amounts that would otherwise be distributable to Creditors and Investors who are also debtors of FLWM in the amount of such indebtedness (collectively, the "**Holdbacks**"), which Holdbacks are to be retained from distributions to Creditors and Investors by the Receiver pending further Order of this Court;

(d) subject to any applicable Holdbacks, authorizing and directing the Receiver to distribute any amounts due and payable to FLEX Fund and First Leaside Wealth Management Fund (collectively, the "**First Leaside Investment Funds**") directly to the Investors in the First Leaside Investment Funds, in accordance with each Investor's proportionate interest as determined in the claims process administered by the Receiver pursuant to a December 7, 2012 Order of this Court (the "**Claims Process**");

(e) approving the Receiver's interim receipts and disbursements for the period from December 7, 2012 to June 20, 2013 (the "**June 20, 2013 R&D**");

(f) approving the activities of the Receiver as described in the Third Report; and

(g) approving the fees and disbursements of (i) GTL in its capacity as Monitor in the CCAA Proceedings during the period from December 1, 2012 to December 7, 2012, and in its capacity as Receiver during the period from December 7, 2012 to May 31, 2013, (ii) its counsel, Blake, Cassels & Graydon LLP ("**Blakes**"), Cassels, Brock & Blackwell LLP ("**Cassels Brock**") and Lax, O'Sullivan, Scott & Lisus LLP ("**Lax O'Sullivan**"), and (iii) Dentons Canada LLP ("**Dentons**"), in its capacity as representative counsel for the Investors ("**Representative Counsel**"),

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Third Report, the affidavit of Jonathan Krieger, sworn July 16, 2013 (the "**Krieger Affidavit**"), the affidavit of Pamela L.J. Huff, sworn July 16, 2013 (the "**Huff Affidavit**"), the affidavit of David S. Ward, sworn July 15, 2013 (the "**Ward Affidavit**"), the affidavit of Tracy Wynne, sworn July 9, 2013 (the "**Wynne Affidavit**"), the affidavit of R. Shayne Kukulowicz, sworn June 21, 2013 (the "**Kukulowicz Affidavit**"), and on hearing the submissions of counsel for the Receiver, counsel for the WALP Funds and Mortgage Fund, counsel for the OSC, and Representative Counsel, no one else appearing although served as evidenced by the affidavits of service of Christina DeLuca, sworn July 16, 2013 and July 18, 2013, filed:

Service

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion, the Motion Record and the Third Report is hereby abridged and the manner thereof validated so that this Motion is properly returnable today and hereby dispenses with any further or other service thereof.

Distribution

2. **THIS COURT ORDERS** that the Distribution Matrix be and is hereby authorized and approved.

based on Method 3

3. **THIS COURT ORDERS** that the Receiver's allocation of General Costs and the allocation of costs of the Other Entities as set out in paragraphs 70-78 of the Third Report be and are hereby authorized and approved.

4. **THIS COURT ORDERS** that the Receiver's proposed First Interim Distribution be and is hereby authorized and approved, and the Receiver be and is hereby authorized and directed to make the proposed First Interim Distribution on behalf of each applicable First Leaside entity to Creditors and Investors for whom amounts are available for distribution pursuant to the Distribution Matrix, which distributions shall be made in accordance with each Creditor's and/or Investor's proportionate interest as determined in the Claims Process.

5. **THIS COURT ORDERS** that the Receiver be and is hereby authorized and directed to distribute any amounts due and payable to the First Leaside Investment Funds directly to Investors holding units in such First Leaside Investment Funds in accordance with their proportionate share of such units as determined in the Claims Process.

6. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, other than the proposed First Interim Distribution expressly authorized pursuant to paragraphs 4 and 5 of this Order, the Receiver shall not make any distributions to Creditors or Investors without further Order of this Court.

7. **THIS COURT ORDERS** that the methodology of the Receiver in formulating the Distribution Matrix and the First Interim Distribution is without prejudice to any claims, arguments or theories of compensation that any Investor may advance in respect of the Canadian Investor Protection Fund ("**CIPF**") provided however that any claim filed with CIPF will be determined by CIPF pursuant to the CIPF Coverage Policy.

8. **THIS COURT ORDERS** that, upon making the First Interim Distribution, the Receiver shall be released and discharged from any and all obligations and claims in respect of the First Interim Distribution.

9. **THIS COURT ORDERS AND DECLARES** that the remittance of the First Interim Distribution by the Receiver as provided herein, including the distributions in respect of the First Leaside Investment Funds, is not a "distribution" for purposes of section 159 of the *Income Tax Act* (Canada), section 270 of the *Excise Tax Act* (Canada), section 107 of the *Corporations Tax Act* (Ontario) and section 117(1) of the *Taxation Act*, 2007 (Ontario) (collectively, the "**Acts**"), and that the Receiver, in making the payments and remittances ordered herein is not "distributing," or considered to have "distributed" the proceeds, and shall have no obligation to obtain a clearance certificate in respect of such payments or remittances. The Receiver shall incur no personal liability for any obligation to remit amounts payable to the Canada Revenue Agency in respect of amounts owing by First Leaside for taxes under the Acts for making the First Interim Distribution.

Receiver's R&D and Activities

10. **THIS COURT ORDERS** that the June 20, 2013 R&D be and is hereby approved.

11. **THIS COURT ORDERS** that the Third Report and the conduct and activities of the Receiver as set out therein be and are hereby approved.

Fees and Disbursements

12. **THIS COURT ORDERS** that the fees and disbursements of GTL, as Monitor in the CCAA Proceedings, for services rendered during the period from December 1 to December 7, 2012, and as Receiver for services rendered during the period from December 7, 2012 to May 31, 2011, in the aggregate amount of $520,972.91 including HST, as detailed in the Krieger Affidavit, be and are hereby approved.

13. **THIS COURT ORDERS** that the fees and disbursements of Blakes, in its capacity as counsel to the Monitor during the period from December 1 to December 7, 2012 and in its capacity as independent counsel to the Receiver from December 7, 2012 to May 31, 2013, in the aggregate amount of $390,526.53 including HST, as detailed in the Huff Affidavit, be and are hereby approved.

14. **THIS COURT ORDERS** that the fees and disbursements of Cassels Brock, in its capacity as special counsel to the Receiver during the period from December 7, 2012 to May 31, 2013, in the aggregate amount of $229,098.68 including HST as detailed in the Ward Affidavit, be and are hereby approved.

15. **THIS COURT ORDERS** that the fees and disbursements of Lax O'Sullivan, in its capacity as litigation counsel to First Leaside and the Receiver during the period from

July 13, 2012 to May 31, 2013, in the aggregate amount of $237,008.56 including HST, as detailed in the Wynne Affidavit, be and are hereby approved.

16. **THIS COURT ORDERS** that the fees and disbursements of Representative Counsel, Dentons, during the period from December 1, 2012 to May 31, 2013 in the aggregate amount of $265,858.79 including HST, as detailed in the Kukulowicz Affidavit, be and are hereby approved.

JUL 24 2013

NB

Schedule "A" – List of Additional Receivership Applicants

First Leaside Finance Inc.
First Leaside Securities Inc.
F.L. Securities Inc.
Mill Street Limited Partnership
Harmony Townhomes Limited Partnership
First Leaside Management Inc.
Development Notes Limited Partnership
Special Notes Limited Partnership
First Leaside Accounting and Tax Services Inc.
2086056 Ontario Inc.
First Leaside Properties Limited Partnership
First Leaside Realty Inc.
First Leaside Realty Limited Partnership
First Leaside Realty II Inc.
First Leaside Investors Limited Partnership
First Leaside Premier Limited Partnership
First Leaside Progressive Limited Partnership
First Leaside Realty II Limited Partnership
First Leaside Ultimate Limited Partnership
First Leaside Universal Limited Partnership
Uxbridge Development Limited Partnership
First Leaside Retirement Residences Limited Partnership
First Leaside Venture Limited Partnership
965010 Ontario Inc.
Wimberly Apartments Limited Partnership
1045517 Ontario Inc.
The Shores Limited Partnership
1024919 Ontario Inc.
Old Mill Pond Apartments Limited Partnership
1031628 Ontario Inc.
1056971 Ontario Inc.
The Bluffs of Lakewood Limited Partnership
1376095 Ontario Inc.
F.L. Spring Valley Limited Partnership
1437290 Ontario Ltd.
First Leaside Partners Limited Partnership
First Leaside Opportunities Limited Partnership
1244428 Ontario Ltd.
Preston Racquet Club Real Estate Limited Partnership Series 910PA
Preston Racquet Club Real Estate Limited Partnership Series 910PB
Preston Racquet Club Real Estate Limited Partnership Series 910PC
Preston Racquet Club Real Estate Limited Partnership Series 910PD
PrestonOne Development (Canada) Inc.
PrestonTwo Development (Canada) Inc.
PrestonThree Development (Canada) Inc.

PrestonFour Development (Canada) Inc.
2088543 Ontario Inc.
2088544 Ontario Inc.
F.L.W. Pond Master Ltd.
2088545 Ontario Inc.
F.L.W. Shores Master Ltd.
1331607 Ontario Inc.
First Leaside Acquisitions Limited Partnership
Queenston Manor General Partner Inc.
Queenston Manor Limited Partnership
2107738 Ontario Inc.
First Leaside Advantage Limited Partnership
2128054 Ontario Inc.
First Leaside Elite Limited Partnership
1132413 Ontario Inc.
First Leaside Entities Limited Partnership
2067171 Ontario Inc.
First Leaside Expansion Limited Partnership
2085306 Ontario Inc.
First Leaside Growth Limited Partnership
2086218 Ontario Inc.
First Leaside Unity Limited Partnership
First Leaside Visions Management Inc.
2007804 Ontario Inc.
First Leaside Wealth Management Limited Partnership
First Leaside Fund Management Inc.
F.L. Beverages Group Limited Partnership
First Leaside Global Limited Partnership
Special U.S. Notes Limited Partnership
FLWM Holdings Limited Partnership
First Leaside Select Limited Partnership
Cherry Park Retirement Residences Limited Partnership
First Leaside Retirement Residences (Okanagan) Limited Partnership
Orchard Valley Retirement Residences Limited Partnership
The Shores Retirement Residences Limited Partnership
F.L. PrimeTime Living Limited Partnership

IN THE MATTER OF THE RECEIVERSHIP OF FIRST LEASIDE WEALTH MANAGEMENT INC. AND THE APPLICANTS LISTED ON SCHEDULE "A"

Court File No: CV-12-9930-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

INTERIM DISTRIBUTION ORDER

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Lawyers for the Receiver

22402834.13

Appendix "F"

Interim Statement of Receipts and Disbursements, dated March 31, 2017

District of Ontario
Division – 09 - Toronto
Estate No.: 31-457262
Court File No.: CV-12-9930-00CL

IN THE MATTER OF THE RECEIVERSHIP OF
FIRST LEASIDE WEALTH MANAGEMENT INC. AND
THE APPLICANTS LISTED ON SCHEDULE "A"[1]

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD ENDING MARCH 31, 2017

Cash Receipts		
Proceeds from Asset Sales	$	13,762,576
Cash in Bank		5,915,675
Government Refunds		1,590,290
Sale of Art		272,144
Funds from Retainer		92,556
Mortgage Interest Collected[2]		220,000
Mortgage Principal Collected[3]		1,000,000
Accounts Receivable		137,079
Interest on Deposits		92,254
Miscellaneous Refunds		48,251
Settlements		41,000
Rental Income		16,369
HST collected		443
Total Cash Receipts	$	23,188,637
Cash Disbursements		
Accounting Services	$	157,325
Filing and Licensing Fees		171,260
IT Services		132,128
HST paid		88,029
Consulting		66,081
Commissions		79,296
Bank Charges		61,787
Storage / Moving Costs		42,024
Occupation Rent		14,254
Repairs and Maintenance		12,563
Operating Expenses		8,155
Utilities and Telephone		9,804
Property Taxes		5,976
Advertising re: Claims Process		4,780
Insurance		4,406
Postage		1,760
Total Cash Disbursements	$	859,628
Net Cash Receipts Before Professional Fees and Distributions	$	22,329,009
Professional Fees		
Receiver's Fees	$	1,374,714
HST on Receiver's Fees		178,713
Legal Fees		2,277,708
HST on Legal Fees		292,199
Total Professional Fees	$	4,123,334
Distributions		
Distribution to Shareholders[4]		12,493,135
Mortgage Principal Distributed[2]		1,000,000
Mortgage Interest Distributed[2]		247,513
Distribution to Unsecured Creditors		1,196,064
Total Distributions	$	14,936,712
Net Cash Receipts	$	3,268,963

Notes:

1 Pursuant to paragraph 2 of the Joint Administration Order dated December 27, 2012, by the Ontario Superior Court of Justice (Commercial List), the Receiver is authorized to administer the Receivership Estate as if such Receivership Estates were a single receivership estate for the purposes of its administrative duties and responsibilities to the OSB under Section 246 of the Bankruptcy and Insolvency Act.

2 The Receiver administered and collected interest on behalf of the beneficial owners of a syndicated mortgage for a property located at 90 King Street South, Thornbury, Ontario.

3 The Receiver received the mortgage principal amount of $1,000,000 on behalf of the beneficial owners of a syndicated mortgage for a property located at 90 King Street South, Thornbury, Ontario. This amount has been paid to the investors.

4 The actual distributions differ from the amount disclosed in the Third Report as a result of:
i) distributions made on account of Loans A, B, and C (as defined in the Fourth Report);
ii) an increase in the amount of holdbacks; and
iii) foreign exchange

Appendix “G”

Summary of Fees and Disbursements

Appendix A

Summary of Restructuring Costs*

Receiver's Fees and Disbursements

Period	Fees & Disbursements
June 1, 2013 - Dec 31, 2013	$292,002.74
Jan 1, 2014 - Dec 31, 2014	$296,092.38
Jan 1, 2015 - Dec 31, 2015	$203,841.66
Jan 1, 2016 - Dec 31, 2016	$111,449.86
Jan 1, 2017 - Mar 28, 2017	$18,310.96
Total	$921,697.60

Blakes Fees and Disbursements

Period	Fees & Disbursements
June 1, 2013 - Dec 31, 2013	$308,475.79
Jan 1, 2014 - Dec 31, 2014	$49,201.05
Jan 1, 2015 - Dec 31, 2015	$87,858.75
Jan 1, 2016 - Dec 31, 2016	$21,973.50
Jan 1, 2017 - Mar 28, 2017	$2,195.50
Total	$469,704.59

Lax O'Sullivan Fees and Disbursements

Period	Fees & Disbursements
June 1, 2013 - Dec 31, 2013	$35,840.00
Jan 1, 2014 - Dec 31, 2014	$91,384.50
Jan 1, 2015 - Dec 31, 2015	$115,817.00
Jan 1, 2016 - Dec 31, 2016	$14,347.00
Jan 1, 2017 - Feb 28, 2017	$58,024.50
Total	$315,413.00

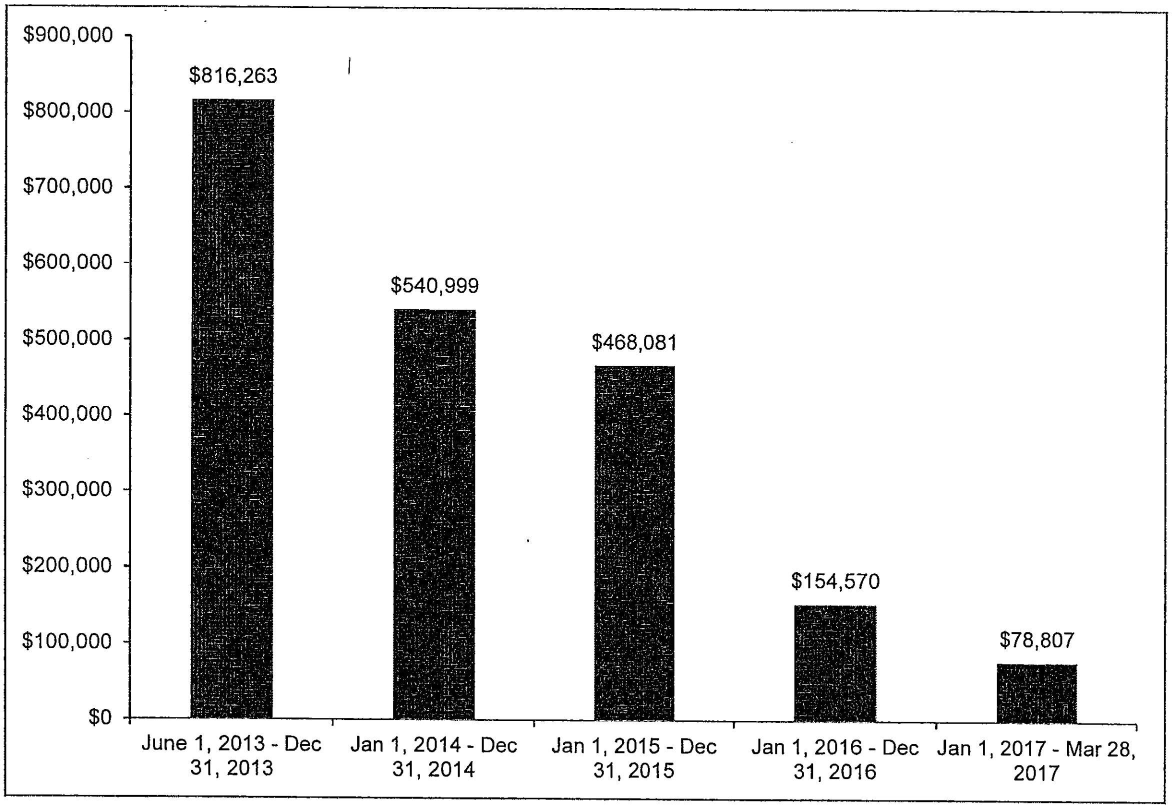
Representative Counsel Fees and Disbursements

Period	Fees & Disbursements
June 1, 2013 - Dec 31, 2013	$171,174.84
Jan 1, 2014 - Dec 31, 2014	$104,321.55
Jan 1, 2015 - Dec 31, 2015	$60,563.30
Jan 1, 2016 - Dec 31, 2016	$6,799.36
Jan 1, 2017 - Mar 28, 2017	$276.29
Total	$343,135.34

Cassels Brock Fees and Disbursements

Period	Fees & Disbursements
June 1, 2013 - Aug 12, 2013	$8,770.10
Total	$8,770.10

Period	Total Spent	Cumulative %
June 1, 2013 - Dec 31, 2013	$816,263	40%
Jan 1, 2014 - Dec 31, 2014	$540,999	66%
Jan 1, 2015 - Dec 31, 2015	$468,081	89%
Jan 1, 2016 - Dec 31, 2016	$154,570	96%
Jan 1, 2017 - Mar 28, 2017	$78,807	100%
Total	$2,058,721	



* The information contained in these summary tables has been taken from the applicable fee affidavits provided to the Receiver. The Receiver has not independently confirmed the data and this chart summary should be considered for illustrative purposes only. The applicable fee affidavits have been posted on the Receiver's Website.