Court File No. BK-31-2747949

ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) [IN BANKRUPTCY AND INSOLVENCY]

IN THE MATTER OF THE BANKRUPTCY OF GROSS CAPITAL INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

RESPONDING AND CROSS MOTION RECORD OF MARK GROSS

January 10, 2023

TYR LLP

488 Wellington Street West, Suite 300-302 Toronto ON M5T 1E3 Fax: 416.987.2370

Jason Wadden (LSO# 46757M)

Tel: 416.627.9815

Email: jwadden@tyrllp.com

Joie Chow (LSO# 84175F)

Tel: 437.224.0542 Email: jchow@tyrllp.com

Lawyers for Mark Gross

TO: SERVICE LIST

ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) [IN BANKRUPTCY AND INSOLVENCY]

IN THE MATTER OF THE BANKRUPTCY OF GROSS CAPITAL INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

SERVICE LIST

TO	AIRD & BERLIS LLP
	Barristers and Solicitors
1	Brookfield Place
1	181 Bay Street, Suite 1800
	Toronto, ON M5J 2T9
	Kyle Plunkett (LSO # 61044N)
	Tel: (416) 865-3406
	Email: kplunkett@airdberlis.com
	Jeremy Nemers (LSO # 66410Q)
	Tel: (416) 865-7724
	Email: jnemers@airdberlis.com
	Lawyers for the Bankruptcy Trustee
AND TO:	KSV RESTRUCTURING INC.
	150 King Street West
	Suite 2308, Box 42
	Toronto, ON M5H 1J9
	David Sieradzki
	Tel: (416) 932-6030
	Email: dsieradzki@ksvadvisory.com
	Noah Goldstein
	Tel: (416) 932-6207
	Email: ngoldstein@ksvadvisory.com
	Bankruptcy Trustee
	Bankrupicy Trusiee

AND TO:	TYR LLP
	488 Wellington Street West
	Suite 300-302
	Toronto, ON M5V 1E3
	James Bunting
	Tel: (416) 519-6607
	Email: jbunting@tyrllp.com
	Jason Wadden
	Tel: (416) 627-9815
	Email: jwadden@tyrllp.com
	Zilaii jaddene (jinp.com
	Lawyers for Mark Gross and Gross Medical Opportunities Fund
AND TO:	SHELDON GROSS
	Email: sheldon.gross19@gmail.com
AND TO:	FOGLER, RUBINOFF LLP
Third To.	77 King Street West
	Suite 3000, P.O. Box 95
	TD Centre North Tower
	Toronto, ON M5K 1G8
	Avi Sugar
	Tel: (416) 365-3717
	Email: asugar@foglers.com
	Landon Vomenatalis
	Jordan Kamenetsky
	Email: jkamenetsky@foglers.com
	Linan. Jamenetskytterogreis.com
AND TO:	OFFICE OF THE SUPERINTENDENT OF BANKRUPTCY CANADA
	151 Yonge Street, 4 th Floor
	Toronto, ON M5C 2W7

Email: kplunkett@airdberlis.com; jnemers@airdberlis.com; dsicradzki@ksvadvisory.com; ngoldstein@ksvadvisory.com; jbunting@tyrllp.com; jwadden@tyrllp.com; asugar@foglers.com; jkamenetsky@foglers.com; sheldon.gross19@gmail.com

ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) [IN BANKRUPTCY AND INSOLVENCY]

IN THE MATTER OF THE BANKRUPTCY OF GROSS CAPITAL INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

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TAB 1

Court File No. BK-31-2747949

ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) [IN BANKRUPTCY AND INSOLVENCY]

IN THE MATTER OF THE BANKRUPTCY OF GROSS CAPITAL INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

NOTICE OF CROSS MOTION OF MARK GROSS

The Responding Party, Mark Gross, will make a motion to the Judge of the Commercial List on March 2, 2023, or as soon after that time as the motion can be heard, via Zoom coordinates to be provided.

PROPOSED METHOD OF HEARING: The motion is to be heard			
☐ In writing under subrule 37.12.1 (1)			
☐ In writing as an opposed motion under subrule 37.12.1 (4);			
☐ In person;			
☐ By telephone conference;			
☑ By video conference			
at the following location:			
Zoom link to be provided at a later date.			

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THE MOTION IS FOR:

- 1. An Order for, in substance:
 - (a) the removal of KSV Restructuring Inc. ("KSV") as the Licensed Insolvency Trustee (the "Trustee") of Gross Capital Inc. ("GCI") and the appointment of a substitute Trustee, or such other relief as this Honourable Court considers appropriate;
 - (b) the removal of Aird & Berlis LLP ("Aird & Berlis") as counsel for the Trustee or, in the alternative, and order that they no longer act on any matter directly or indirectly concerning Mark Gross, or such other relief as this Honourable Court considers appropriate;
 - (c) the removal of the inspectors of the GCI estate, or such other relief as this Honourable Court considers appropriate;
 - (d) the GCI estate to pay the full indemnity costs of Mark Gross and for advice and direction with respect to the conduct of THE TRUSTEE and Aird & Berlis;
 - (e) an interim order authorizing the cross-examination of the trustee in bankruptcy, and in the alternative, an order authorizing the examination of the inspectors;
 - (f) a declaration that only \$355,357 is owing from GMOF LP (as defined below) to GCI; and

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(g) a declaration that Mark Gross is not guilty of an offence under the Bankruptcy and Insolvency Act (Canada) (the "BIA").

THE GROUNDS FOR THE MOTION ARE:

A. The Parties

- 2. Mark Gross ("**Gross**") is a former officer of GCI and the officer who executed the assignment of bankruptcy of GCI. Mark Gross is also a Trustee of the Gross Medical Opportunity Fund (the "**Fund**"), a separate company.
- 3. KSV is the licensed insolvency trustee that was appointed as the trustee in bankruptcy of GCI.

B. The Gross Medical Opportunity Fund

- 4. The Fund is an investment trust established in 2015 for the purpose of facilitating investments in medical office buildings.
- 5. Pursuant to an Offering Memorandum, the Fund sold units to investors (the "Unitholders"), which proceeds it used to buy 100% of the Class A limited partnership units of Gross Medical Opportunities Fund LP ("GMOF LP"), a limited partnership. GMOF LP used those proceeds to acquire interests in medical office buildings, primarily through co-tenancies.
- 6. By March 2022, GMOF LP had sold almost all the interests it held for \$1.219 million, which is currently being held in trust by Fogler Rubinoff LLP (the "**Proceeds**"). The Proceeds have not yet been distributed to the limited partners, including the Fund.

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C. The Trustee Demands Payment From the Fund

- 7. On April 11, 2022, the Trustee, via its counsel Aird & Berlis LLP, made a formal demand for payment of \$678,864.94 from the Fund from \$1.1 million being held in trust by Fogler Rubinoff LLP. This amount consisted of \$453,240 alleged to be owing in respect of an unsecured, non-interest-bearing demand obligation, and \$189,904 alleged to be owing in respect of an unsecured, 9% per annum interest bearing demand loan.
- 8. In making this demand, the Trustee was relying on the consolidated financial statements of the Fund, which consolidated the financial statements for the Fund, GMOF LP, GMOF's general partner, and co-tenancies that are not parties to these proceedings. The Fund, as a limited partner of GMOF LP, is not liable for the entirety of the amounts owing in the consolidated financial statements.
- 9. The unconsolidated financial statements of GMOF LP show that GMOF LP only owes \$355,357 to GCI. GMOF LP advised the Trustee that it will pay this amount forthwith and asked for payment instructions. The Trustee never provided payment instructions.

D. The Trustee Reject's Mark Gross' Offers to Resolve the Matter

10. Through correspondence and in at least one meeting, Gross explained to the Trustee why GMOF LP does not owe \$678,864.94, but rather only owes \$355,357. The Trustee and the inspectors of the GCI estate continued to disagree, only indirectly acknowledged their error with respect to \$189,904, and continued to demand payment of \$453,240, which is not owing by GMOF LP.

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- 11. In addition, Gross explained that that demand obligation was never intended to be called upon by GCI until the unitholders were at least assured of the return of their capital, and this was explained to some (but not all) of the Unitholders. This created a promissory estoppel in favour of GMOF LP to defend against the enforcement of the demand obligation that the Trustee was seeking to claim.
- 12. Gross suggested to the Trustee that, in light of his knowledge of the GCI's intention regarding the demand obligation with GMOF LP given his former role with GCI, that he and the Trustee work together with their counsel to create an expedited and summary process to put the issue before the Court and allow the Court to adjudicate a resolution to the dispute.
- 13. The Trustee rejected this sensible, common-sense approach and demanded that Gross cause GMOF LP to repay the full amount of \$453,240.
- 14. In order to avoid litigation, Gross obtained direction from the Unitholders on whether and how to resolve the matter. Following a canvass of the Unitholders, Gross advised the Trustee that GMOF LP would pay the amount of \$305,357 as a compromise to avoid litigation.
- 15. In response, on August 31, 2022, the Trustee elevated its threats against Gross and filed a Notice of Motion asking for advice and direction from the court as to whether it should accuse Mark Gross of an offence. The Notice of Motion stated that if Mark Gross directed that \$453,240 be released from the Proceeds, the motion would be deferred. The Trustee and Aird & Berlis threatened criminal or quasi-criminal sanctions against Gross in the context of a purely civil dispute for the purposes of coercing him

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to do what they wished, despite his explanation and despite his offer that the matter be referred to the Court on an expedited basis to resolve the matter.

16. After receiving the Notice of Motion, Gross and GMOF LP again tried to end the matter by advising that GMOF LP would pay the full amount that was shown on GMOF LP's unconsolidated financial statement as owing to GCI. Again, this offer was rejected and the Trustee and Aird & Berlis continued with their threats of criminal or quasi-criminal sanction by filing their materials and obtaining a timetable for their motion.

E. Improper Conduct of the Trustee and its Counsel

- 17. Threatening penal action under the BIA is contrary to the BIA. Pursuant to sections 205 and 206 of the BIA, once a trustee in bankruptcy has grounds to believe that an offence has occurred, it is the duty of the official receiver or trustee to report the matter to the court and the Deputy Attorney General or another appropriate legal officer of the province and to forward the matter forthwith to the Superintendent.
- 18. Further, under section 50 of the *Bankruptcy and Insolvency General Rules*, "[t]rustees shall not obtain, solicit or conduct any engagement that would discredit their profession or jeopardize the integrity of the bankruptcy and insolvency process".
- 19. It is inappropriate, a violation of the insolvency process and an abuse of process for the Trustee to leverage an accusation of an offense under the BIA in order to coerce Gross to act contrary to his understanding of his fiduciary duties to the Fund and GMOF LP in order to collect what it says is a debt owing to GCI.

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20. Threatening penal conduct is also contrary to the *Rules of Professional Conduct*. Per Rule 3.2-5 of the *Rules of Professional Conduct*, "[a] lawyer shall not, in an attempt to gain a benefit for a client, threaten, or advise a client to threaten, without reasonable and lawful justification, (a) to initiate or proceed with a charge for an offence, including an offence under...(ii) a statute of a province or territory of Canada...". Accordingly, Aird & Berlis violated its duties under the Rules of Professional Conduct and its obligations to the professional and others, including Gross, and engaged in an abuse of process, and should no longer be permitted to continue to act for THE TRUSTEE or, alternatively, in matters directly or indirectly concerning Gross.

F. Improper Conduct of the Inspectors

- 21. The inspectors owe a duty to the estate and its stakeholders to exercise their duties rationally and in good faith for the benefit of the estate as a whole, and not for vindictive purposes.
- 22. In carrying out their duties, the inspectors must consider, among other things, the applicable law and evidence before them.
- 23. In (a) authorizing the rejection of the offers made by the Fund and GMOF LP to either settle the matter or refer the matter to the Court in a coordinated basis; (b) approving the attempt to coerce Gross into ignoring and violating his fiduciary duties to the Fund and GMOF LP; and (c) approving the threatening of criminal or quasi-criminal sanctions when doing so was not necessary nor warranted, particularly in light of Gross' offer and recommendation to refer the matter to Court on an expedited basis,

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the inspectors breached their duties by failing to act rationally and in the best interests of the estate but rather acted for vindictive purposes personally towards Gross.

G. Other Grounds for the Motion

- 24. The affairs of the GCI estate are such that the most significant remaining matter is the carrying out of any litigation against Gross or other former directors or officers of GCI. Each of the Receiver, it's counsel and the inspectors have demonstrated that they cannot or will not undertake that litigation for proper purposes but rather for vindictive purposes and contrary to the duties and codes of conduct imposed on them and have engaged in an abuse of process. Accordingly, an order replacing them is necessary for the proper and fair and just administration of the estate.
- 25. Sections 14.04, 116, 118, 159, 205, and 206 of the BIA.
- 26. Sections 50 and 51 of the Bankruptcy and Insolvency General Rules.
- 27. Rules 1.04, 2.03, 37 of the Rules of Civil Procedure.
- 28. Rule 3.2-5 of the Law Society of Ontario Rules of Professional Conduct.
- 29. Such further and other grounds as counsel may advise and this Honourable Court may permit.

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

(a) The Affidavit of Mark Gross sworn January 10, 2023; and

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(b) Such further and other evidence as counsel may advise and this Honourable Court may permit.

January 10, 2023

Tyr LLP

488 Wellington Street West Suite 300-302 Toronto, ON M5V 1E3

Fax: 416-987-2370

Jason Wadden (LSO# 46757M)

Tel: 416.627.9815

Email: jwadden@tyrllp.com

Joie Chow (LSO# 84175F)

Tel: 437.224.0542 Email: jchow@tyrllp.com

Lawyers for Mark Gross

TO: SERVICE LIST

IN THE MATTER OF THE BANKRUPTCY OF GROSS CAPITAL INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

[IN BANKRUPTCY AND INSOLVENCY] SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) ONTARIO

Proceeding commenced at TORONTO

NOTICE OF CROSS MOTION

Tyr LLP

488 Wellington Street West

Suite 300-302

Toronto, ON M5V 1E3 Fax: 416.987.2370

Jason Wadden (LSO# 46757M) Tel: 416.627.9815

Email: jwadden@tyrllp.com

Joie Chow (LSO# 84175F)

Email: jchow@tyrllp.com Tel: 437.224.0542

Lawyers for Mark Gross

TAB 2

Court File No.: BK-31-2747949

ONTARIO SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) [IN BANKRUPTCY AND INSOLVENCY]

IN THE MATTER OF THE BANKRUPTCY OF GROSS CAPITAL INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

AFFIDAVIT OF MARK GROSS

(Affirmed January 10, 2023)

- I, Mark Gross, of the City of Toronto, in the Province of Ontario, AFFIRM:
- 1. I am a Trustee of Gross Medical Opportunity Fund and a former Director of Gross Capital Inc. As such, I have personal knowledge of the following matters. Where matters described herein are based on information not within my personal knowledge, I have stated the source of the information and verily believe it to be true.

The Gross Medica O ortunity Fund

- 2. The Gross Medical Opportunity Fund (the **Fund**") is an investment trust established in 2015 for the purpose of facilitating investments in medical office buildings. I and my father, Sheldon Gross, are the sole trustees of the Fund.
- 3. Pursuant to an Offering Memorandum, investors purchased units of the Fund to become unitholders (the "Unitho ders"). The Fund used the proceeds of that offering to acquire 100% of the Class A limited partnership units of Gross Medical Opportunities Fund LP ("GMOF LP"). All of the Class B limited partnership units of GMOF LP are held by holding companies controlled by me, my father, and Justin Di Ciano. GMOF LP's general partner, Gross Medical Opportunities Fund GP Inc. ("GMOF GP"), a separate

legal entity, only has a nominal 0.01% interest in GMOF LP. GMOF GP manages the affairs of GMOF LP. I am an officer and director of GMOF GP. The Fund, GMOF LP and GMOF GP are collectively referred to as "GMOF").

- 4. GMOF LP used the proceeds from selling its Class A limited partnership units to the Fund to acquire interests in the medical office buildings that were intended to be revenue-producing properties for the Fund. The interests in some of these properties were sold on March 3, 2022, and the proceeds of that sale belong to GMOF LP (the "Proceeds"). The Proceeds, which equal approximately \$1.2 million, are being held in trust for GMOF LP by Fogler Rubinoff LLP and have not yet been distributed to limited partners, including the Fund.
- 5. The most recent financial statements for both GMOF LP and GMOF GP were prepared for the year of 2019 and were audited by Segal LLP. GMOF LP's financial statements for 2019 are attached as E hi it A (the "GMOF LP Statements") and GMOF GP's financial statements for 2019 are attached as E hi it B.
- 6. The accountants also prepared consolidated statements that combined the financial statements of GMOF LP, including GMOF GP, and the Fund. These consolidated statements for 2019 are attached as E hi it C (the "Conso idated Financia Statements").

Gross Ca ita Inc.

7. Separate from my position as trustee of the Fund, I previously held the position of director at Gross Capital Inc. ("GCI"). Under my direction, GCI filed for bankruptcy on June 25, 2021, and I am the "officer executing the assignment" under the *Bankruptcy and*

Insolvency Act ("BIA") (referred to by the Trustee and herein as the "designated officer").

KSV Restructuring Inc. ("KSV" or the "Trustee") was appointed as Licensed Insolvency

Trustee for GCI on the same date and continues in that position today.

8. Although I am no longer a director of GCI, I continue to be a trustee of the Fund and my holding company continues to hold Class B limited partnership units in GMOF LP.

Demands made y the Trustee a ainst me

- 9. In early 2022, the Trustee raised with my counsel its position that the Fund or GMOF LP may owe money to GCI. In response, Tyr LLP, counsel for me and GMOF, sent a letter dated March 22, 2022, to the Trustee's counsel advising of GMOF's position. A copy of that letter is attached as **E** hi it **D**. In that letter, it was explained that, among other things, the amounts the Trustee claimed were owing were in fact not owing as GCI had never intended that those amounts would be repaid until the Unitholders were assured of the return of their capital.
- 10. On April 11, 2022, the Trustee, via its counsel Aird & Berlis LLP, responded to that letter, by addressing a letter to me and made a formal demand for payment of \$678,864.94 from the Fund (the "A ri 11 Letter"). A copy of the April 11 Letter is attached as E hi it E. The Trustee asserted that \$453,240 was owing in respect of an unsecured, non-interest-bearing demand obligation and that \$189,904 was owing in respect of an unsecured, 9% per annum interest-bearing demand loan. Both of these numbers appear in the Consolidated Financial Statements, which consolidated the financial statements for

the Fund, GMOF LP, GMOF GP, and co-tenancies that are not parties to these proceedings.

- 11. In the April 11 Letter, the Trustee referred to \$1.1 million being held in trust by Fogler Rubinoff LLP from the sale of property in which the Fund had an interest. I do not know where they learned of these funds, or why there is a discrepancy between the number they cite and the value of the Proceeds. The April 11 Letter concluded by demanding that I instruct Fogler Rubinoff LLP to release \$678.864.94 to the Trustee from these funds.
- 12. On April 18, 2022, my counsel responded by letter, setting out our position as to why the Fund did not owe \$687,864.94 to GCI ("A ri 18 Letter"). A copy of the April 18 Letter is attached as E hi it F.
- 13. On April 22, 2022, the Trustee responded with a letter from its counsel, a copy of which is attached as **E** hi it **G**. That letter set out the Trustee's position. However, the Trustee and its counsel went further than simply requesting the repayment of a debt from GMOF LP, and suggested that I somehow had some other duty, other than my duties to GMOF, that required me to delivery GMOF LP's funds to the Trustee, that I was lying, and threatened to have me "explain my conduct... to the Court": [emphasis added]

The Trustee does not look favourably on false statements being made to it on behalf of the principal of the Bankrupt, and reminds your clients of their duties under the BIA. For greater certainty, the demand made in the Trustee's April 11 Letter stands, as does the Payment Deadline of April 30, 2022 stated therein. Should the Known Indebtedness not be received by the Trustee by the Payment Deadline, Mr. Gross will be called upon under oath to explain his conduct in respect of this matter to the Court.

- 14. On May 1, 2022, my counsel sent another letter to the Trustee's counsel, in which we, among other things, asked for a meeting that I would attend and personally explain why these amounts are not owing and answer questions. Attached as **E** hi it **H** is a copy of that May 1, 2022 letter. Attached as **E** hi it I is a copy of email correspondence dated between May 1 and May 9, 2022, confirming that the meeting would take place on May 10, 2022.
- 15. During that meeting on May 10, 2022, I explained to the Trustee why GMOF LP does not owe the amount of \$678,864.94 as demanded, and that if anything is owing, it could only be \$355,357.
- 16. First, I explained that the financial statements relied on by the Trustee were the Consolidated Financial Statements and, therefore, did not identify what entity was responsible for what portion of that consolidated debt. The \$678,864.94 listed on the Consolidated Financial Statements as being due to GCI included the amounts that might be owed by GMOF LP, GMOF GP, or co-tenancies, as well as any amounts owed by the Fund itself. The Fund, as a limited partner of GMOF LP, is not liable for the debts of GMOF LP, and vice versa. Similarly, GMOF LP is not liable for the debts of GMOF GP. None of the Fund, GMOF LP, or GMOF GP is liable for the debts of the co-tenancies.
- 17. The unconsolidated 2019 GMOF LP Statements show that only \$355,357 is "due" to GCI from GMOF LP. These unconsolidated statements are the only accurate source of information about which entity owes which amount. Tellingly, the Trustee, which has control of all of GCI's books and records, has never provided me with any additional

documents to justify its position that GMOF LP owes GCI any amount other than \$355,357 despite the fact that my counsel requested such evidence.

- 18. Second, I explained that, as a former director and officer of GCI, I knew that the demand obligation was never intended to be called upon by GCI until the Unitholders were at least assured of the return of their capital, and that this was explained to some (but not all) of the Unitholders. The amount that GCI had advanced to GMOF LP was with respect to legacy costs in order to set up a previous trust. These costs were then rolled into the creation of the GMOF LP. Because the intention was for us to make profits from the management fees of the Fund, and the amounts loaned by GCI were in effect a sunk cost to set up this new venture, we had told certain Unitholders that we would delay demanding repayment of those amounts until their capital was repaid. This was not documented because there was no need to at the given time, given the fact that my father and I were the ones that were managing both GCI and the Fund, so we knew we had full control over when the demand would be made.
- 19. Having known about both the intention and the expression of that intention to certain Unitholders, my view was (and still is) that these amounts are not owing until the Unitholders received their capital back, notwithstanding the fact that the Trustee has been appointed to control GCl's rights. It was never GCl's intention that GCl's creditors would benefit from those legacy costs before the Unitholders were guaranteed their capital back, rather it was the intention that the Unitholders of the Fund would not be prejudiced by them by having the capital they injected into the Fund be used to repay those legacy costs. Those costs were invested by GCl to impart GMOF with the idea that it would be a business through which it could ultimately earn profits. Accordingly, I believed, and still

do, that the Trustee did not have the right to demand and receive payment given GCI's intention regarding that debt at the time funds were raised by Unitholders. Nor do I believe that it is appropriate nor fair for the Trustee to be seeking to take those amounts when Unitholders are facing losses of their capital.

- 20. Following that meeting, on May 31, 2022, my counsel sent a letter to the Trustee's counsel, a copy of which is attached as **E hi it J**.¹ By that letter, through counsel, I provided more information and clarification to the Trustee, and explained that my knowledge of GCI's intention regarding when the amounts could be demanded created a "promissory estoppel" that prevented the Trustee from making or enforcing a demand against GMOF LP until the Unitholders were assured their capital back.² It was also noted in that letter that the Trustee had already rejected our proposed resolution that the dispute be referred to an adjudicator under an expedited process and that GMOF would abide by and not appeal the decision. By that letter, we also proposed a monetary settlement to resolve the issue instead of having it adjudicated.
- 21. Moreover, to ensure that there was no perception or concern that I would receive a personal benefit, the May 31 letter advised that I would postpone the recovery of any amounts that I invested in GMOF until the Unitholders were assured the recovery of their capital.

¹ I note that the reference in the letter to GMOF LP's unconsolidated financial statements to 2021 is incorrect and the reference should be to 2019 unconsolidated financial statements. No unconsolidated financial statements were made for GMOF LP after 2019.

² I am not aware of any of GCI's creditors having ever reviewed or received a copy of the GMOF LP's unconsolidated financial statements, the Fund's financial statements, or even GCI's own financial statements such that they would be able to claim that they somehow relied on the suggestion that the amounts in issue were owing to GCI or were an asset of GCI.

- 22. This offer and proposal were again rejected by the Trustee. As detailed more extensively below, despite my explanations, the Trustee and the inspectors of GCI's estate continued to refuse to accept that only \$355,357 was owing from GMOF LP despite the information in the unconsolidated financial statements and despite the lack of any other evidence. They only indirectly acknowledged their error with respect to \$189,904 that was owing from the co-tenancies directly and not GMOF LP. They continued to demand that I cause GMOF LP or the Fund to pay \$453,240 to GCI, which is not owing by GMOF LP to GCI.
- 23. To avoid litigation, through counsel, I advised the Trustee that I was seeking feedback from the Unitholders directly as to how to proceed. A copy of my counsel's email advising that I was engaging in a process to get feedback directly from the Unitholders is attached as E hi it K.
- 24. Following that process, through counsel, I advised the Trustee that GMOF LP was willing to pay \$305,357 to the Trustee, as a compromise to avoid litigation. However, the Trustee and the inspectors again rejected that proposal. A copy of our counsel's email exchanges with the Trustee's counsel dated August 22 and 23, 2022, and the response from the Trustee, are attached as **E hi it L**.

The Trustee and Aird Ber is Breach Their Professiona O i ations

25. After I advised the Trustee that GMOF LP would be willing to pay \$305,357 to settle the matter, the Trustee and its counsel accused me of violating my obligations under the BIA as the "designated officer" of GCI and suggested that I had committed an "offence".

- 26. In particular, on August 31, 2022, the Trustee elevated its threats against me and filed a Notice of Motion asking for advice and direction from the Court as to whether they should accuse me of an offence, thereby clearly implying that in their view I had committed an offence. The Notice of Motion stated that if I directed \$453,240 to be released from the GMOF LP's funds, the motion would be deferred. In other words, the Trustee and their counsel threatened what I understand are criminal or quasi-criminal sanctions against me for the purposes of coercing me to cause to give them funds belonging to GMOF LP that I did not believe Trustee was entitled to. Moreover, I was shocked that they were threatening me with an offence while submitting this matter to the Court when I had previously suggested, and they had rejected, that the dispute be referred to an adjudicator for determination on an expedited basis months before.
- 27. After receiving the Notice of Motion, GMOF LP again tried to end the matter by advising that GMOF LP would pay the full amount shown in GMOF LP's unconsolidated financial statement as owing to GCI. A copy of the letter dated September 21, 2022, from my counsel to the Trustee's counsel in this regard is attached as **E hi it M**. Again, this offer was rejected, and the Trustee's and its counsel's threats of criminal or quasi-criminal sanction continued as they scheduled a case conference to proceed with their motion and filed evidentiary materials.
- 28. I take my obligations as designated officer very seriously (I was the one who took the steps necessary to have GCI placed into bankruptcy). However, I also owe obligations and a fiduciary duty to the Fund and GMOF LP. I am surprised and concerned that the Trustee and the inspectors, whom I understand are providing direction to the Trustee on this matter, are acting as if they control me and can tell me what to do with respect to the

business of the Fund and GMOF LP simply because I am the "designated officer", and that any failure by me to do so is an offence. I do not understand that simply because I am the designated officer and may, as such, have a statutory duty to provide information to the Trustee or to deliver GCI's own property to the Trustee that I myself am personally in possession of, that I am under the control of the Trustee, its counsel or the inspectors, and must cause entirely separate companies and entities to pay amounts to the Trustee that I do not believe are owing to GCI simply because they "tell me to". I am particularly surprised that they are trying to coerce me into paying money from GMOF LP to the Trustee at the Unitholders' expense when GMOF LP's financial statements do not say such amounts are owing. There is no other evidence suggesting that GMOF LP owes GCI those amounts and that they are making these demands and allegations without regard for the duties I owe to GMOF and the Unitholders.

29. I am particularly troubled by the fact that the Trustee, its counsel and the inspectors are attempting to assert leverage and influence over me by threatening me with an offence under the BIA because I believe they are asking me to violate the duties I owe to the Fund and GMOF LP. I am troubled by the fact that the spectre of these threats was first raised while I and my counsel were explaining my and GMOF's position in good faith. I am particularly concerned with their conduct given that the Trustee has indicated in its reports and to my counsel that they and the inspectors are considering commencing other claims against me, and I am very concerned that they will continue with this behaviour of threatening criminal or quasi-criminal sanctions against me if I simply do not accede to their claims.

- 30. It is clear to me that given the Trustee and its counse! have maintained this position for months, that they are no longer in a position where they can be trusted with the administration of the estate in a proper manner for proceeding with civil claims.
- 31. Moreover, it is clear to me that the inspectors are not interested in carrying out their duties and resolving commercial matters in a *bona fide* way, but instead are now out for mere vindication and revenge against me and will use their positions as inspectors to do so. I appreciate and understand their frustration and anger with the losses that they have suffered. I also appreciate that they may authorize civil claims against me personally for matters arising from GCI's affairs. However, their authorization of threatening criminal or quasi-criminal matters against me to coerce me to breach my fiduciary duties owed to other entities for their person benefit is inappropriate and intolerable. All stakeholders will benefit from the reasonable administration and resolution of GCI's affairs, and the inspectors have shown themselves incapable or unwilling to do so.
- 32. I am dismayed by the fact that what the Trustee, its counsel, and the inspectors, seem to now be proposing a Court-adjudicated process, which is exactly what I had proposed months ago, but they are proposing that under the spectre and threat of me being accused of an offence under the BIA. I do not see this as being in the best interest of anyone.
- 33. While I understand that the creditors of GCI have suffered losses, and I do hope they receive the maximum amount they can throughout the process of GCI's bankruptcy, it is my opinion that the Unitholders of the Fund are in a similar position in that they are

facing losses, and that my duties to GMOF and their interests must also be considered by actors such at the Trustee, its counsel, and the inspectors.

AFFIRMED BEFORE ME by video conference by Mark Gros at the City of Toronto, in the Province of Ontario, before me on January 10, 2023, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely

Joie Chow

Commissioner for Taking Affidavits

(or as may be)

MARK GROSS

THIS IS **EXHIBIT "A"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow

Commissioner for Taking Affidavits (or as may be)

GROSS MEDICAL OPPORTUNITIES FUND LP FINANCIAL STATEMENTS DECEMBER 31, 2019

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SEGAL LLP
Chartered Professional Accountants

4101 Yonge Street Suite 502, P.O. Bax 202 Toronto, ON M2P 1N6

416 391 4499 | 800 206 7307

segallip.com

INDEPENDENT AUDITOR'S REPORT

To the Partners of Gross Medical Opportunities Fund LP Opinion

We have audited the accompanying financial statements of Gross Medical Opportunities Fund LP. (the "Partnership") which comprise the statement of financial position as at December 31, 2019 and the statements of comprehensive income, changes in partners' capital and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section on our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial statements which indicates that Gross Medical Opportunities Fund LP has negative working capital and its operations are dependent on receiving additional financing. These financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Without modifying our conclusion, we draw attention to Note 18 of the financial statements which describes that a recent health crisis has had an adverse impact on the Partnership's operations.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.





Independent Auditor's Report Page 2

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Financial Reporting Standards (IFRS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the
 disclosures, and whether the financial statements represent the underlying transactions and events in a
 manner that achieves fair presentation.



Independent Auditor's Report Page 3

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants Licensed Public Accountants

Aegal LLP

Toronto, Ontario May 14, 2020

GROSS MEDICAL OPPORTUNITIES FUND LP STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
Current Cash Accounts receivable, note 13 Prepaid expenses Government remittances recoverable Due from Gross Medical Opportunities Fund GP Inc., note 3	\$ 19,130 31,917 58,227 - - - 109,274	\$ 33,186 28,762 49,801 1,556 8,511 121,816
Income-producing properties, note 5	5,017,239	5,230,436
LIABILITIES	\$ 5,126,513	<u>\$ 5,352,252</u>
Current Accounts payable and accrued liabilities, note 6 Due to Gross Capital Inc., note 4 Current portion of long-term debt, note 10 Loan from Gross Capital Inc. (Co-tenancies), note 7 Due to Gross Medical Opportunities Fund, note 8 Government remittances payable Due to Gross Medical Opportunities Fund GP Inc., note 3 Due to Gross Securities Corp., note 9	\$ 150,589 355,357 86,265 189,904 86,721 33,341 973	\$ 96,473 355,357 2,106,066 183,296 89,316
Long-term debt, note 10	3,207,780	1,282,620
Commitments, note 11 Subsequent event, note 18	4,110,930	4,121,034
PARTNERS' CAPITAL		
Partners' capital, note 12	1,015,583	1,231,218
Approved on behalf of the Partnership	<u>\$ 5,126,513</u>	<u>\$ 5,352,252</u>
General	l Partner	
General	l Partner	

GROSS MEDICAL OPPORTUNITIES FUND LP STATEMENT OF CHANGES IN PARTNERS' CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2019

-	-						
			Limited				Total Partners' Capital
\$	1,231,235	s	500	\$	(517)	s	1,231,218
	51,000		-		-		51,000
12	(51,000)		-		-		(51,000)
	(169,834)		*		-		(169,834)
_	(45,797)				(4)		(45,801)
<u>\$</u>	1,015,604	<u>\$</u>	500	<u>\$</u>	(521)	\$	1,015,583
			Limited				Total Partners' Capital
					- .	•	•
\$	1,374,745	\$	500		(520)	\$	1,374,725
	61,000		-		-		61,000
12	(61,000)		-		<u>-</u>		(61,000)
12	(61,000) (169,524)		-		i		(61,000) (169,524)
12		_	- -		- 3	_	,
	\$ 112	Limited Partners \$ 1,231,235	Limited Partners \$ 1,231,235 \$ 51,000 12 (51,000) (169,834)	Limited Partners \$ 1,231,235 \$ 500 51,000 - (12 (51,000) - (169,834) - (45,797) - \$ 1,015,604 \$ 500 Class A Limited Partners \$ 1,374,745 \$ 500	Limited Partners \$ 1,231,235 \$ 500 \$ 51,000 - (12 (51,000) - (169,834) - (45,797) - \$ 1,015,604 \$ 500 \$ Class A Class B Limited Partners \$ 1,374,745 \$ 500	Limited Partners Limited Partners General Partner \$ 1,231,235 \$ 500 \$ (517) 51,000 - - (12 (51,000) - - (45,797) - (4) \$ 1,015,604 \$ 500 \$ (521) Class A Limited Partners Class B Partner \$ 1,374,745 \$ 500 (520)	Limited Partners Partner \$ 1,231,235 \$ 500 \$ (517) \$ 51,000 (169,834) (45,797) - (4) \$ 1,015,604 \$ 500 \$ (521) \$ \$ Class A Limited Partners Partner Partner

GROSS MEDICAL OPPORTUNITIES FUND LP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Revenue		
Commercial rent, note 13	\$ 407,625	\$ 406,022
Expenses recovered, note 13	238,533	231,098
Interest income	2,316	<u>975</u>
	648,474	638,095
Recoverable expenses		
Property tax	79,109	78,438
Maintenance	57,609	56,923
Utilities	53,765	50,233
Property management fees, note 13	15,665	18,268
Parking	12,497	10,651
Landscaping and snow removal	11,611	11,967
Office supplies	4,235	3,134
Insurance	3,143	3,356
	237,634	232,970
General and administrative expenses		
Professional fees, note 13	71,990	77,331
Asset management fees, note 13	8,860	8,860
Office and general	811	75
Bank charges	160	901
Commissions, note 13	<u> </u>	4,695
	<u>81,821</u>	91,787
Income before the undernoted	329,019	313.338
Mortgage interest	133,086	137,301
Loan interest, note 13	16,979	10,345
Amortization of deferred financing fees	9,298	14,219
Amortization of deferred tenant inducements	2,260	2,260
Amortization of income-producing properties, note 5	213,197	123,196
	374,820	287,321
Comprehensive income (loss) for the year	<u>\$ (45,801)</u>	<u>\$ 26,017</u>

GROSS MEDICAL OPPORTUNITIES FUND LP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Cash flows from operating activities		. •
Comprehensive income (loss) for the year	\$ (45,801)	\$ 26,017
Amortization of income producing properties	213,197	123,196
Amortization of deferred financing fee	9,298	14,219
Amortization of deferred tenant inducement	2,260	2,260
	178,954	165,692
Changes in non-cash working capital balances		
Increase in prepaid expenses	(10,686)	(10,484)
Increase in accounts receivable	(3,155)	(176)
Increase (decrease) in accounts payable and accrued liabilities	54,116	(10,628)
Change in government remittances	34,897	(908)
Cash flows provided from operating activities	<u>254,126</u>	143,496
Cash flows from investing activities Decrease (increase) in due from Gross Medical Opportunities GP, Inc.	<u>8,511</u>	(3,861)
Cash flows from financing activities	E1 000	(1.000
Issuance of Class A LP units	51,000	61,000
Redemption of Class A LP units	(51,000)	(61,000)
Repayment of long-term debt	(103,939)	(98,482)
Increase (decrease) in due to Gross Securities Corp. Increase in loan from Gross Capital Inc. (co-tenancies)	(7,906)	7,906 50,084
Advances from Gross Capital Inc.	6,608	100,424
Increase in due to Gross Medical Opportunities GP, Inc.	973	100,424
Decrease in due to Gross Medical Opportunities Fund	(2,595)	(4,371)
Distributions	(169,834)	(169,524)
Distributions	(107,054)	(107,524)
Cash flows used in financing activities	(276,693)	(113,963)
Net increase (decrease) in cash	(14,056)	25,672
Cash, beginning of year	33,186	<u>7,514</u>
Cash, end of year	\$ 19,130	\$ 33,186
Interest paid in year	<u>\$</u>	<u>\$</u>

1. NATURE OF BUSINESS AND GOING CONCERN

a) Nature of Business

Gross Medical Opportunities Fund LP (the "Partnership") is a limited partnership formed under the laws of the Province of Alberta, established by the Limited Partnership Agreement on July 3, 2013 and amended and restated on December 5, 2013. The Partnership was formed for the purposes of acquiring, owing, and leasing a portfolio of medical related income producing commercial real estate properties in Canada (the "Properties"). The Partnership may acquire Properties through limited partnerships or through joint ventures. The Partnership changed its name from Gross Medical Income & Growth Fund 1 LP on March 17, 2015.

The address of the Partnership is 200 Ronson Drive, Suite 201, Toronto, Ontario.

The General Partner of the Partnership is Gross Medical Opportunities Fund GP Inc. (the "General Partner"), and is responsible for the management, operation and administration of the affairs of the Partnership.

Gross Medical Opportunities Fund (the "Trust") owns 100% of the Class A LP units of the Partnership.

These financial statements reflect only the assets, liabilities, revenues and expenses of the Partnership and do not include any other assets, liabilities, revenues or expenses of the partners or the liability of the partners for taxes on earnings of the Partnership. Such taxes, if any, are a liability of each partner.

No provision has been made in the accounts for interest on the partners' invested capital.

(b) Going concern

These financial statements have been prepared on the going concern basis, which presumes that the Partnership will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast some doubt on the appropriateness of this assumption. The Partnership has negative working capital. The Partnership's ability to continue to operate depends on its ability to obtain additional financing.

These financial statements do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Partnership be unable to achieve its plan and continue in business. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. The impact on the financial statements could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

Basis of preparation

These financial statements have been prepared on a historical cost basis except for held-for-trading financial instruments, which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2019.

These financial statements were approved by the General Partner on May 14, 2020

These financial statements are presented in the functional currency of the Partnership, Canadian dollars.

Cash

Cash consists of cash on deposit. Amounts are carried at amortized cost.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently stated at amortized cost.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Partnership after deducting all of its liabilities. Equity instruments issued by the Partnership are recorded at the proceeds received, net of direct issue costs.

Limited partnership units

The Partnership's units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32 Financial Instruments: Presentations, in which case, the puttable instrument may be presented as equity. The Partnership's units were determined to meet the conditions of IAS 32 and are, therefore classified and accounted for as equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Investment Properties

The Partnership accounts for its investment properties in accordance with International Accounting Standards ("IAS") 40, "Investment Properties" ("IAS 40"). Investment property is defined as property held to earn rentals, capital appreciation, or both, The Partnership categorizes its investment properties as income-producing properties and properties under development. Investment properties are accounted for using the cost model wherein the cost of an income-producing property is allocated to its significant components and is amortized over the useful life of each component as described below. Properties under development are not amortized until they are reclassified to income-producing properties upon completion, as disclosed below.

These financial statements include the Partnership's 12.50% (2018 - 12.50%) share of the King Oshawa Medical Co-Tenancy and the Partnerships 5.8857% (2018 - 5.8857%) share of the Victoria Clinic Cotenancy.

The Partnership records only its share of the assets, liabilities and share of the results of operations of the co-tenancy. The assets, liabilities and results of operations are included within the respective line items of the statements of financial position, the statements of changes in partners' capital and the statement of comprehensive income (see note 14).

The income producing properties are recorded at cost and amortized on a straight line basis over 40 years.

Environmental Remediation Costs

A provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs with, where appropriate, probability weighting for the different remediation or closure outcomes which could realistically arise. The ultimate cost of remediation is uncertain and Management uses its judgment and experience to provide for these costs.

Impairment of income producing properties

The income producing properties are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Partnership estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Impairment of income producing properties (continued..)

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the year.

Revenue recognition

The Partnership has retained substantially all of the benefits and risks of ownership of its income producing properties and therefore accounts for leases with its tenants as operating leases. Rental revenue includes all amounts earned from tenants related to lease agreements including property tax and operating cost recoveries. The Partnership recognizes rental revenue and other charges on a straight-line basis in accordance with the relevant lease agreements. The amount by which straight-line rental revenue exceeds the minimum rents collected in accordance with the lease agreements is included in deferred revenue.

Property rental revenue includes minimum rental revenue earned and operating expenses and realty tax reimbursements or recoveries earned under lease agreements with tenants. Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are accrued and recognized as revenue in the year the expenses are incurred and they become recoverable from the tenant.

Critical judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results may differ from those estimates. These financial statements include assumptions and estimates which, by their nature, are uncertain. The impact of such estimates may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year which the estimate is revised and the revision affects both current and future years. Assumptions and estimates that management has made at the statement of financial position date relate to, but are not limited to, the following:

Income-producing property

- The useful life of the income producing properties.
- Impairment of income producing properties.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Leases

The Partnerships adoption of IFRS 16 on January 1, 2019 did not have a significant impact on the financial statements.

The Partnership makes judgments in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Partnership is lessor, are operating or financial leases. The Partnership has determined that all of its leases are operating leases.

Lease Incentives

The Partnership evaluates whether tenant improvement allowances are, in substance, lease incentives or capital expenditures of the Partnership that enhance the value of the Partnership's income-producing properties. This judgment also impacts revenue recognition commencement. This determination requires judgment and consideration of several factors, including whether the improvements enhance the value of the properties, tenant discretion in the use of funds, uniqueness of the improvements and the transfer of risks and rewards.

Investment Properties

Judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, when practical completion of the property occurs and identifying the point at which capitalization of borrowing costs ceases.

Financial assets - Initial measurement

A financial asset or financial liability is initially measured at fair value plus for items not at fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"), transaction costs directly attributable to its acquisition or issue.

Financial assets - Classification and subsequent measurement

A financial asset is measured at amortized cost if it meets both of the following conditions (and is not designated as at fair value through profit or loss ("FVTPL"):

- It is held with the objective to hold the asset and to collect contractual cash flows
- 2. Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI")

Financial assets not measured at amortized cost as described above are measured at FVTPL. The Partnership classifies its cash, due from Gross Opportunities Fund GP and accounts receivable as measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Financial liabilities - Classification and subsequent measurement

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss ("FVTPL"). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Under IFRS 9, the classification and measurement of liabilities under IFRS 9 generally remains unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

The Partnership classifies accounts payable and accrued liabilities, loan from Gross Capital Inc. (cotenancies), due to Gross Capital Inc., long-term debt, due to Gross Medical Opportunities Fund GP Inc., due to Gross Medical Opportunities Fund and due to Gross Securities Corp. as measured at amortized cost.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Partnership has transferred substantially all of the risks and rewards of the asset. The Partnership assesses at each reporting date whether there is any objective evidence that a financial asset is impaired, the impairment provision is based upon the expected loss.

The Partnership derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Partnership currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Impairment

The Partnership recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

With respect to cash the Partnership measures the loss allowances at a 12-month ECL as cash balances credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Partnership has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Partnership determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience adjusted as appropriate to reflect current economic conditions.

Future accounting policy changes

IFRS 3, Business Combinations ("IFRS 3"):

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effect for periods beginning on or after January 1, 2020 with earlier application permitted. The Partnership is currently evaluating the impact of the new standard on its financial statements.

DUE FROM/TO GROSS MEDICAL OPPORTUNITIES GP INC.

Amounts are due from/to Gross Medical Opportunities GP Inc. The amounts are unsecured, non-interest bearing and due on demand.

4. DUE TO GROSS CAPITAL INC.

Amounts are due to Gross Capital Inc., which is related by virtue of being controlled by a Director of the General Partner. The amounts are unsecured, non-interest bearing and due on demand.

5. INCOME-PRODUCING PROPERTIES

		Land		Buildings		Total
Cost						
Balance as at January 1, 2019 Additions	\$	776,476 	\$	4,927,785	\$	5,704,261
Balance as at December 31, 2019	<u>\$</u>	776,476	<u>\$</u>	4,927,785	<u>\$</u>	 5,704,261
Accumulated amortization						
Balance as at January 1, 2019	\$	-	\$	473,825	\$	473,825
Amortization during the period				213,197	_	213,197
Balance as at December 31, 2019	\$		<u>\$</u>	687,022	<u>\$</u>	 687,022
Net book value						
At December 31, 2019	<u>\$</u>	776,476	<u>s</u>	4,240,763	<u>\$</u>	5,017,239
At December 31, 2018	<u>s</u>	776,476	<u>s</u>	4,453,960	<u>\$</u>	5,230,436

The income producing properties represents a 12.5% share of the King Oshawa Clinic Co-tenancy and a 5.8857% of the Victoria Avenue North Co-tenancy. The fair value of the income producing properties at December 31, 2019 and December 31, 2018 is estimated to be \$5,900,000 and \$6,100,000 respectively.

Included in amortization of income producing properties is a \$90,000 (2018 - \$Nil) impairment charge to 304 Victoria St. N, Hamilton. Due to the termination of a head lease on this property, the Partnership used an independent appraiser to test this building for impairment. The direct comparison approach, income capitalization and cost approach were used to determine the impairment charge. The valuation of the King Oshawa property at December 31, 2019 was done by management, and not by an independent appraiser.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018		
Accrued liabilities Accounts payable	\$ 96,751 53,838	\$ 94,752 1,721		
	<u>\$ 150,589</u>	<u>\$ 96,473</u>		

7. LOAN FROM GROSS CAPITAL INC. (CO-TENANCIES)

	2019	2018
Loan from Gross Capital Inc Victoria Co-tenancy Loan from Gross Capital Inc King Oshawa Co-tenancy	\$ 164,812 25,092	\$ 138,897 44,399
	<u>\$ 189,904</u>	\$ 183,296

Amounts due to Gross Capital Inc. (co-tenancies), are unsecured, bear interest at 9% per annum and are due on demand.

8. DUE TO GROSS MEDICAL OPPORTUNITIES FUND

The amount due to Gross Medical Opportunities Fund (the "Trust"), related by virtue of the fact that the Trust holds 100% of the Class A limited partnership units of the Partnership, is unsecured, non-interest bearing and due on demand.

9. DUE TO GROSS SECURITIES CORP.

The amount due to Gross Securities Corp., related by virtue of the fact that Gross Securities Corp. is owned by the Class B unitholders of the Partnership, is unsecured, non-interest bearing and due on demand. The balance was repaid as of December 31, 2019.

10.	LONG-TERM DEBT	2019	2018
	Mortgage payable renewed on May 22, 2019 and represents a 12.5% portion of the mortgage assumed against King Oshawa Clinic Co-tenancy. The mortgage has a 5 year term and bears interest at 4.00% (2018 - 4.04%). The effective interest rate after financing costs are included is 4.13% (2018 - 4.96%). The mortgage is secured by the King Oshawa Property. The Partnership's 12.5% share of the net book value of this property on December 31, 2019 is \$3,071,527 (2018 - \$3,145,418).	\$ 2,013,843	\$ 2,070,862
	Mortgage payable assumed on November 12, 2015 and represents a 5.8857% portion of the mortgage assumed against the Victoria Avenue Co-tenancy. The mortgage has a 10 year term and bears interest at 4.00%. The mortgage is secured by the Victoria Avenue Co-tenancy property. The Partnership's 5.8857% share of the net book value of this property on December 31, 2019 is \$2,035,712 (2018 -		
	\$2,085,018).	1,289,009	1,324,213
		3,302,852	3,395,075
	Transactions costs	(8,807)	(6,389)
	Less: current portion	3,294,045 <u>86,265</u>	3,388,686 <u>2,106,066</u>
	Long-term portion	\$ 3,207,780	<u>\$ 1,282,620</u>
	The aggregate principal repayments over the next five years and	thereafter are as follows	s:
	2020	\$ 86,265	
	2021	89,751	
	2022	93,378	
	2023	97,150	
	2024	1,845,838	
	Thereafter	1,090,470	
		\$ 3,302,852	

11. COMMITMENTS

The Partnership pays an annual asset management fee to the General Partner of the Partnership for management services that the General Partner provides. The asset management fee is paid quarterly and is equal to 0.15% of the year end portfolio value of the Partnership.

The Partnership pays an acquisition fee of 1% of the purchase price of the Properties to the General Partner of the Partnership.

The Partnership pays selling commissions of up to 7.5% of the gross cash proceeds from the sale of trust units. The Partnership pays the balance of distributable cash (after the Trust has been paid its minimum return of 7% per annum) up to 10% of the net gain earned from the sale of the Properties to the Class B unitholders of the Partnership.

12. PARTNERS' CAPITAL

Authorized

As at December 31, 2019, the Partnership was authorized to issue the following:

50,000,000 Class A limited partnership units - voting, redeemable (Class A Units)

50,000,000 Class B limited partnership units (Class B Units)

The number of units outstanding are as follows:

For the year ended December 31, 2019:

	<u>December 31, 201</u> 9			December 31	December 31, 2018		
	Net				Net		
	Opening	<u>Issued</u>	Ending	Opening	<u>Issued</u>	Ending	
Class A units	2,142,426	Nil	2,142,426	2,142,426	Nil	2,142,426	
Class B units	50,000,000	Nil	50,000,000	50,000,000	Nil	50,000,000	

2019

During 2019, the Partnership issued a total of 51,000 Class A units for \$51,000. On January 31, 2019, 1,000 Class A units were redeemed for a payout of \$1,000 and on June 28, 2019, another 50,000 Class A units were also redeemed for a payout of \$50,000. As a result of redeeming the Class A units, \$1,250 of fees were paid to Gross Securities Corp.

2018

During 2018, the Partnership issued 61,000 Class A units for \$61,000. On July 31, 2018, 61,000 Class A units were redeemed for a payout of \$61,000. As a result of redeeming the Class A units, \$3,050 of fees were paid to Gross Securities Corp.

13. RELATED PARTY TRANSACTIONS

Included in Commercial rent and expenses recovered is \$43,806 (2018 - \$42,515) from a company which is related by virtue of being controlled by a Director of the General Partner.

Asset management fees of \$8,860 (2018 - \$8,860) were charged by a company related by virtue of being under common control of the General Partner. Commissions of \$Nil (2018 - \$4,695) were charged by a company related by virtue of being under common control of the General Partner.

Class A Limited Partnership units - 59,669 units (3% of Class A) are owned by Trustees of the Trust (2018 - 59,669 units (3% of Class A)) and 270,000 units (13% of Class A) are owned by companies controlled by Trustees of the Trust (2018 - 270,000 units (13% of Class A)). Class B Limited Partnership units - 50,000,000 units (100% of Class B) are owned by companies controlled by Trustees of the Trust (2018 - 50,000,000 units (100% of Class B)).

Included in professional fees is \$500 (2018 - \$500) charged by Gross Adminco Inc., a company related by virtue of being under common control of the General Partner. Included in accounts receivable is \$425 (2018 - \$425) from Gross Adminco Inc. Property management fees of \$5,839 (2018 - \$5,839) were charged by a company related by virtue of being under common control of the general partner. Participation fees of \$Nil (2018 - \$Nil) were charged by a company related by virtue of being controlled by a Director of the General Partner. Loan interest of \$16,979 (2018 - \$10,345) was charged on cotenancy loans owed to the companies controlled by Trustee of the Trust (note 8). The transactions are in the normal course of operations.

14. CO-TENANCY OPERATIONS

The following amounts included in these financial statements represent the Partnership's 12.5% proportionate interest in the King Oshawa Medical Co-Tenancy and the 5.8857% proportionate interest in the Victoria Clinic Co-tenancy.

ŕ	2019	2018
Assets Liabilities Revenues and other income Expenses Net income	\$ 5,123,139 \$ 3,566,022 \$ 642,686 \$ 613,142 \$ 29,544	\$ 5,325,706 \$ 3,622,335 \$ 637,478 \$ 520,825 \$ 116,653
Cash provided by (used in) Operating activities Investing activities Financing activities	\$ 269,190 \$ - \$ (85,616)	\$ 223,713 \$ - \$ (47,666)

The Partnership includes in its financial statements, the proportionate share of the assets, liabilities, revenues and expenses of the King Oshawa Co-Tenancy from the date of acquisition on June 30, 2015 and the Victoria Avenue Co-Tenancy from acquisitions in 2015, 2016 and 2017. Included in assets and expenses above is a \$90,000 impairment charge against the Victoria Avenue Co-Tenancy (note 5).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 requires that the Partnership disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at each financial position reporting date based on relevant market information about the financial instrument.

Financial assets and liabilities recorded at fair value in the Partnership's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Hierarchical levels, defined by IFRS 13 and directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities, are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Partnership's management determined that no financial assets are carried at fair value.

The Partnership's financial instruments consist of cash, accounts receivable, due to/from related parties, accounts payable and accrued liabilities, and long-term debt. Unless otherwise noted, it is management's opinion that the Partnership is not exposed to significant market, interest, currency and liquidity risks arising from these financial instruments except as noted below. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

ii) Interest rate risk

The Partnership has deposits in financial institutions. The Partnership is exposed to reductions in interest rates, which could impact expected current and future returns. As at December 31, 2019, the amount of \$19,130 (2018 - \$33,186) was held in deposits with financial institutions.

<u>2019</u>	ri . n	E: 10	NT .	
Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest bearing	Total
Amortized cost	\$ 19,130	\$	\$ 31,917	\$ 51,047
Financial liabilities				
Amortized cost	<u>s -</u>	\$ 3,483,949	\$ 593,640	\$ 4,077,589
2018			31	
Financial assets	Floating Rate	Fixed Rate	Non-interest bearing	Total
Amortized cost	\$ 33,186	<u>\$</u>	\$ 37,273	\$ 70,459
Financial liabilities				
Amortized cost	\$	\$ 3,571,982	\$ 549,052	<u>\$ 4,121,034</u>

iii) Currency risk

Currency risk is the risk to the Partnership's earnings that arises from volatility in foreign exchange rates. This may have an adverse effect on the value of future revenues and assets denominated in currencies other than the Canadian dollar, absent any changes in market or investment specific event.

The Partnership did not maintain any material balances in foreign currencies as at December 31, 2019 and December 31, 2018.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

iv) Liquidity risk

Liquidity risk is the risk that the Partnership will not have sufficient debt and partners' capital available to fund its growth and refinance its debts as they mature. The Partnership's financial condition and results of operations would be adversely affected if it were unable to obtain financing, or obtain cost effective financing. The Partnership manages liquidity risk by seeking new investors and by monitoring its debt situation. (see note 1(b))

2019

Financial assets	0 - 12 months	1 = 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Amortized cost	\$ 51,047	<u>\$</u>	<u>s</u>	<u>\$</u>	<u>\$</u>	<u>\$ 51,047</u>
Financial liabilities						
Other financial liabilities	\$ 869,809	\$ 280,279	\$2,927,501	<u>\$</u> -	<u>\$</u>	\$ 4,077,589
2018						
Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Amortized cost	\$ 70,459	<u>s -</u>	<u>s </u>	<u>\$</u>	<u>s -</u>	<u>\$ 70,459</u>
Financial liabilities						
Other financial liabilities	\$2,838,410	<u>\$ 74,732</u>	\$ 80,893	\$1,126,999	\$ -	<u>\$ 4,121,034</u>

v) Economic dependence

As at December 31, 2019, one co-tenancy accounted for 67% (2018 – 66%) of revenues from operations.

16. CAPITAL MANAGEMENT

The Partnership's capital management policy is to maintain a strong capital base that optimizes the Partnership's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its partners. The Partnership intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Partnership's early stage of development and the requirement to sustain future development of the business.

The Partnership will manage its capital structure and make changes to it in light of changes to economic conditions and the risk characteristics of the nature of the business. The Partnership considers its capital structure to include partners' capital, long term debt and working capital. In order to maintain or adjust the capital structure, the Partnership may from time to time issue units, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Partnership monitors capital based on its current working capital, projected cash flow from operations and anticipated capital expenditures.

The Partnership is not subject to externally imposed capital requirements.

17. KEY MANAGEMENT COMPENSATION

Total direct and indirect compensation, including benefits to employees with responsibilities for strategic planning, oversight and control of the Partnership amounted to \$Nil (2018 - \$Nil).

18. SUBSEQUENT EVENT

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Partnership's business activities. The extent to which the coronavirus may impact the Partnership's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Partnership cannot determine their financial impact at this time.

THIS IS **EXHIBIT "B"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow

Commissioner for Taking Affidavits (or as may be)

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SEGAL LLP
Chartered Professional Accountants

4101 Yonge Street Suite 502, P.O. Box 202 Toronto, ON M2P 1N6

416 391 4499 | 800 206 7307

segallip.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gross Medical Opportunities Fund GP Inc.

Opinion

We have audited the accompanying financial statements of Gross Medical Opportunities Fund GP Inc. (the "Corporation") which comprise the statement of financial position as at December 31, 2019 and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section on our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our conclusion, we draw attention to note 13 of the financial statements which describes that a recent health crisis has had an adverse impact on the Corporation's operations.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.





Independent Auditor's Report Page 2

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or
 error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is
 sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material
 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve
 collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that
 are appropriate in the circumstances, but not for the purpose of expressing an opinion on the
 effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report Page 3

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants Licensed Public Accountants

Aegal LLP

Toronto, Ontario May 14, 2020

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	2019	2018	
ASSETS	121		
Current Cash Due from Gross Medical Opportunities Fund I.P, note 4	\$ 8,466 973 \$ 9,439	\$ 13,241 \$ 13,241	
LIABILITIES			
Current Accounts payable and accrued liabilities, note 3 Due to Gross Medical Opportunities Fund LP, note 4 Income taxes payable	\$ 4,057 660 4,717	\$ 4,115 8,511 1,000 13,626	
Long term debt Deficiency in Gross Medical Opportunities Fund LP	<u>521</u> 5,238	517 14,143	
Contingent liability, note 12 Subsequent events, note 13	<u>J,436</u>	14,143	
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital, note 5 Retained earnings (deficit)	400 3,801	400 (1,302)	
	<u>4,201</u> <u>\$ 9,439</u>	<u>(902)</u> <u>\$ 13,241</u>	
Approved on behalf of the Board:			
Director			
Director See accompanying notes to the financial statements		4	

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

	-	hare apital	E	etained arnings Deficit)	Shar	Total eholders' Equity
Retained earnings (deficit), January 1, 2019	\$	400	\$	(1,302)	\$	(902)
Comprehensive income for the year			_	5,103		5,103
Balance, December 31, 2019	\$	400	<u>\$</u>	3,801	\$	4,201
Retained earnings (deficit), January 1, 2018	\$	400	\$	(5,143)	\$	(4,743)
Comprehensive income for the year				3,841		3,841
Balance, December 31, 2018	\$	400	<u>\$</u>	(1,302)	<u>\$</u>	(902)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018	
Revenue			
Asset management fees, notes 6 and 7 Share of partnership income (loss)	\$ 8,934 (4)	\$ 8,860 <u>3</u>	
	8,930	8,863	
Expenses Professional fees Bank charges and interest	3,500 158	3,861 161	
	3,658	4,022	
Income before provision for income taxes	5,272	4,841	
Provision for income taxes, note 10	169	1,000	
Comprehensive income for the year	<u>\$ 5,103</u>	\$ 3,841	

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018	
Cash flows from operating activities			
Comprehensive income for the year Adjustment for: Share of partnership income	\$ 5,103 $\frac{4}{5,107}$	\$ 3,841 (3) 3,838	
Changes in non-cash working capital balances Decrease (increase) in accounts payable and accrued liabilities Change in income taxes payable Cash flows provided from operating activities	(58) (340) 4,709	45 1,000 4,883	
Cash flows from financing activities			
Increase (decrease) in due to Gross Medical Opportunities Fund LP	(9,484)	3,860	
Net increase (decrease) in cash	(4,775)	8,743	
Cash, beginning of year	13,241	4,498	
Cash, end of year	<u>\$ 8,466</u>	\$ 13,241	

1. NATURE OF BUSINESS DISCLOSURE

a) Nature of Business

Gross Medical Opportunities Fund GP Inc. (the "Corporation") was incorporated pursuant to the Business Corporations Act (Ontario) on June 20, 2013. The Corporation was formed to operate as the general partner for Gross Medical Opportunities Fund LP (the "Partnership"). The Corporation holds a 0.01% interest in the Partnership. The Corporation changed its name from Gross Medical Income and Growth Fund GP Inc. on March 17, 2015.

Gross Medical Opportunities Fund (the "Trust") owns 100% of the Class A LP units of the Partnership.

The address of the Corporation is 200 Ronson Drive, Suite 201, Toronto, Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards

The financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

These financial statements were authorized to issue by the board of directors on May 14, 2020.

Basis of preparation

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The financial statements have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for adoption on December 31, 2019.

These financial statements are presented in the functional currency of the Corporation, Canadian dollars.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Cash

Cash consists of cash on deposit. Amounts are carried at amortized cost.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently stated at amortized cost.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Corporation after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

Income taxes

Income taxes on the profit or loss for the years presented comprises current and deferred taxes. Income taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to taxes payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Income taxes (Continued...)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Corporation does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

Revenue recognition

Revenue is recognized to the extent that it is reasonably assured that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty.

Acquisition fee revenue, which is a fee paid by the Partnership upon the acquisition of a property, is based on 1% of the purchase price, and is recognized at the time that the property is acquired.

Asset management fees are paid by the Partnership and are based on 0.15% of the year end value of the portfolio of investments held by the Partnership. This amount is recognized as it is earned.

The acquisition fees have been waived up to December 31, 2019.

Critical judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results may differ from those estimates. These financial statements include assumptions and estimates which, by their nature, are uncertain. The impact of such estimates may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year which the estimate is revised and the revision affects both current and future years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Financial assets - Initial measurement

A financial asset or financial liability is initially measured at fair value plus for items not at fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"), transaction costs directly attributable to its acquisition or issue.

Financial assets - Classification and subsequent measurement

A financial asset is measured at amortized cost if it meets both of the following conditions (and is not designated as at fair value through profit or loss ("FVTPL"):

- 1. It is held with the objective to hold the asset and to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

Financial assets not measured at amortized cost as described above are measured at FVTPL. The Corporation classifies its cash and due from Gross Medical Opportunities Fund LP as measured at amortized cost.

Financial liabilities - Classification and subsequent measurement

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss ("FVTPL"). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The Corporation classifies accounts payable and accrued liabilities as measured at amortized cost.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Corporation has transferred substantially all of the risks and rewards of the asset. The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset is impaired, the impairment provision is based upon the expected loss.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

The Corporation recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

With respect to cash the Corporation measures the loss allowances at a 12-month ECL as cash balances credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Corporation has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Corporation determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience, adjusted as appropriate to reflect current economic conditions.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2019		2018
Accrued liabilities Accounts payable	\$	4,000 57	\$	4,000 115
	<u>\$</u>	4,057	<u>s</u>	4,115

Accounts payable is to Gross Securities Corp which is owned by the Class B unitholders of the Partnership which is under common control of the Corporation.

4. DUE FROM/TO GROSS MEDICAL OPPORTUNITIES FUND LP

The Partnership is related by virtue of being under common control of the Corporation. The balances are unsecured, non-interest bearing and due on demand.

5. SHARE CAPITAL

2019

2018

Authorized share capital

Unlimited

Class A common shares

Unlimited

Class B non-voting common shares

Issued and outstanding share capital

400 Class A common shares

\$ 400

400

6. RELATED PARTY TRANSACTIONS

Asset management fees of \$8,860 (2018 - \$8,860) were charged to a Partnership related by virtue of being under the common control of the Corporation. The transactions are in the normal course of operations.

7. ECONOMIC DEPENDENCE

The Corporation derives all of its revenue from Gross Medical Opportunities Fund LP which is a Partnership that is related by virtue of the Corporation being the general partner of the partnership.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 requires that the Corporation disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at each financial position reporting date based on relevant market information about the financial instrument. Financial assets and liabilities recorded at fair value in the Corporation's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Hierarchical levels, defined by IFRS 7 and directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities, are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

The Corporation's management determined that there are no financial asset carried at fair value as at December 31, 2019.

The Corporation's financial instruments consist of cash, due from/to Gross Medical Opportunities Fund LP and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant market, interest, currency and liquidity risks arising from these financial instruments except as noted below. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

ii) Interest rate risk

The Corporation has deposits in financial institutions. The Corporation is exposed to reductions in interest rates, which could impact expected current and future returns. As at December 31, 2019, the amount of \$8,466 (2018 - \$13,241) was held in deposits with financial institutions.

2019

Financial assets	Floating Rate	Fixed Rate	Non-interest bearing	Total
Amortized Cost	<u>\$ 8,466</u>	<u>\$</u>	<u>\$ 973</u>	\$ 9,439
Financial liabilities				
Amortized Cost	<u> </u>	\$	\$ 4,057	\$ 4,057
2018				
Financial assets	Floating Rate	Fixed Rate	Non-interest bearing	Total
Amortized Cost	\$ 13,241	<u>\$</u>	<u>s</u>	<u>\$ 13,241</u>
Financial liabilities				
Amortized Cost	\$	<u>\$</u>	<u>\$ 12,626</u>	<u>\$ 12,626</u>

GROSS MEDICAL OPPORTUNITIES FUND GP INC. NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

iii) Currency risk

Currency risk is the risk to the Corporation's earnings that arises from volatility in foreign exchange rates. This may have an adverse effect on the value of future revenues and assets denominated in currencies other than the Canadian dollar, absent any Corporation specific event.

The Corporation did not maintain any material balances in foreign currencies as at December 31, 2019 and December 31, 2018.

iv) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to fair value. The Corporation manages liquidity risk by continuously monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

2019

Financial assets		0 - 12 months		1 - 3 years		3 - 5 years		yond years		finite urity		Total
Amortized Cost	<u>\$</u>	9,439	8		<u>\$</u>		\$	-	<u>\$</u>		\$	9,439
Financial liabilities												
Amortized Cost	\$	4,057	\$	_	3	27	\$		\$		<u>\$</u>	4,057
2018												
Financial assets		0 - 12 months		1 - 3 years		3 - 5 years		yond years		finite urity		Total
Amortized Cost	\$	13,241	\$	-	5		<u>\$</u>		<u>\$</u>	_	<u>\$</u>	13,241
Financial liabilities												
Amortized Cost	\$	12,626	\$	- 7	8	_	\$	20	<u>\$</u>		\$	12,626

GROSS MEDICAL OPPORTUNITIES FUND GP INC. NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019

9. CAPITAL MANAGEMENT

The Corporation's capital management policy is to maintain a strong capital base that optimizes the Corporation's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Corporation intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Corporation's early state of development and the requirement to sustain future development of the business.

The Corporation will manage its capital structure and make changes to it in the light of changes to economic conditions and the risk characteristics of the nature of the business. The Corporation considers its capital structure to include shareholders' equity and working capital. In order to maintain or adjust the capital structure, the Corporation may from time to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Corporation is not subject to externally imposed capital requirements.

10. INCOME TAXES

(a) Reconciliation of income taxes

` '			2019		2018
	Comprehensive income before taxes	\$	5,272	\$	4,841
	Add (deduct) items for income tax purposes:				
	Partnership income for accounting purposes		4		(3)
	Partnership income for tax purposes		(4)		3
	Non-capital loss utilized				(1,063)
	Expected income for income tax purposes	\$	5,272	<u>S</u>	3,778
	Provision of income tax before reassessment		659		1,000
	Reassessment of prior year balance		<u>(490</u>)		
	Expected current provision of income tax	72	169	b	1,000
	Effective rate of current taxes		12.5%		26.5%

(b) Losses carry forward

There are no capital losses carryforwards available to be applied against taxable of future years.

GROSS MEDICAL OPPORTUNITIES FUND GP INC. NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019

11. KEY MANAGEMENT COMPENSATION

Total direct and indirect compensation, including benefits to employees with responsibilities for strategic planning, oversight and control of the Corporation amounted to \$Nil (2018 - \$Nil).

12. CONTINGENT LIABILITY

The Corporation is liable for any debt or liability of the Partnership exceeding the contributions made by the limited partners of the Partnership. It is management's opinion that as of December 31, 2019, the Partnership has sufficient assets to discharge its liabilities in the normal course of operations.

13. SUBSEQUENT EVENT

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Corporation's business activities. The extent to which the coronavirus may impact the Corporation's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Corporation cannot determine their financial impact at this time.

THIS IS **EXHIBIT "C"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow

Commissioner for Taking Affidavits (or as may be)

CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

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SEGAL LLP Chartered Professional Accountants

4101 Yonge Street Suite 502, P.O. Box 202 Tororito, ON M2P 1N6

416 39 | 4499 | 800 206 7307

segalllp.com

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Gross Medical Opportunities Fund

Opinion

We have audited the accompanying consolidated financial statements of Gross Medical Opportunities Fund (the "Trust") which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statement of comprehensive income, consolidated statement of changes in net assets attributable to redeemable trust unitholders and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section on our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(b) in the consolidated financial statements which indicates that Gross Medical Opportunities Fund has negative working capital and its operations are dependent on receiving additional financing. These consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Without modifying our conclusion, we draw attention to Note 18 of the financial statements which describes that a recent health crisis has had an adverse impact on the Trust's operations.





Independent Auditor's Report Page 2

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Financial Reporting Standards (IFRS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due
 to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence
 that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material
 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve
 collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of
 the Trust's internal control.



Independent Auditor's Report Page 3

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including
 the disclosures, and whether the consolidated financial statements represent the underlying transactions and
 events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants Licensed Public Accountants

Aegal LLP

Toronto, Ontario May 14, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		κ -
Current		
Cash	\$ 35,423	\$ 47,997
Accounts receivable, note 12	32,321	28,762
Prepaid expenses	58,227	49,801
Government remittances recoverable	-	1,556
Due from Gross Medical Opportunities GP Inc., note 3	-	8,511
Minority interest deficiency, note 14	21	17
	125,992	136,644
Income producing properties, note 4	5,017,239	5,230,436
	\$ 5,143,231	\$ 5,367,080
LIABILITIES		
Current		
Accounts payable and accrued liabilities, note 5	\$ 150,579	\$ 96,455
Due to Gross Capital Inc., note 6	453,240	453,240
Current portion of long-term debt, note 9	86,265	2,106,066
Loan from Gross Capital Inc. (Co-tenancies), note 7	189,904	183,296
Government remittances payable	33,341	-
Due to Gross Medical Opportunities Fund GP Inc., note 3	973	= 004
Due to Gross Securities Corp., note 8		7,906
	914,302	2,846,963
Long-term debt, note 9	3,207,780	1,282,620
Liabilities before net assets attributable to redeemable		
Trust Unitholders	4,122,082	4,129,583
Commitments, note 10		
Subsequent events, note 18		
Net assets attributable to redeemable		
Trust Unitholders, note 11	<u>\$_1,021,149</u>	\$ 1,237,497
Approved on behalf of the Trust		
Trustee		

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE TRUST UNITHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2019

	Number of Trust Units	Net Assets Attributable to Redeemable Trust Unitholders
December 31, 2019		
Net assets attributable to redeemable Trust Unitholders at January 1, 2019	2,142,426	\$ 1,237,497
Comprehensive loss for the year Loss allocated to minority interest Redeemable trust unitholders transactions Issuance of trust units, note 11 Redemption of trust units, note 11 Distributions	51,000 (51,000)	(46,518) <u>4</u> (46,514) 51,000 (51,000) (169,834) (169,834)
Net assets attributable to redeemable Trust Unitholders, December 31, 2019	2,142,426	\$ 1,021,149
December 31, 2018		
Net assets attributable to redeemable Trust Unitholders at January 1, 2018	2,142,426	\$ 1,381,242
Comprehensive income for the year Income allocated to minority interest	-	25,782 (3) 25,779
Redeemable trust unitholders transactions Issuance of trust units, note 11 Redemption of trust unit, note 11 Distributions	61,000 (61,000)	61,000 (61,000) (169,524) (169,524)
Net assets attributable to redeemable Trust Unitholders, December 31, 2018	2,142,426	\$ 1,237,497

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Revenue		
Commercial Rent, note 12	\$ 407,625	\$ 406,022
Recoveries, note 12	238,533	231,098
Interest income	2,313	976
	648,471	638,096
Recoverable expenses		
Property tax	79,109	78,438
Maintenance	57,609	56,923
Utilities	53,765	50,235
Property management fees, note 12	15,665	18,268
Parking	12,497	10,651
Landscaping and snow removal	11,611	11,967
Office supplies	4,235	3,134
Insurance	3,143	3,356
Constal and administrative expenses	237,634	232,972
General and administrative expenses Professional fees, note 12	71,990	77 221
Asset management fees, note 12	8,860	77,331
Bank charges	874	8,860
Office supplies	811	1,135
Commissions, note 12		4,695
	82,535	92,021
Comprehensive income before the undernoted	328,302	313,103
Mortgage interest	133,086	137,302
Interest on loans, note 12	16,979	10,345
Amortization of income producing properties, note 4	213,197	123,196
Amortization of deferred financing fees	9,298	14,218
Amortization of deferred tenant inducements	2,260	2,260
	374,820	287,321
Comprehensive income (loss) for the year	<u>\$ (46,518)</u>	<u>\$ 25,782</u>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	oud = 1	2019		2018
Cash flows from operating activities				
Comprehensive income (loss) for the year	\$	(46,518)	\$	25,782
Adjustments for:				
Amortization of income producing properties		213,197		123,196
Amortization of deferred financing fees		9,298		14,218
Amortization of deferred tenant inducement		2,260	_	2,260
		178,237		165,456
Changes in non-cash working capital balances				
Increase in prepaid expenses		(10,686)		(10,484)
Increase in accounts receivable		(3,559)		(176)
Decrease (increase) government remittances recoverable		34,897		(908)
Increase (decrease) in accounts payable and accrued liabilities		54,124	_	(10,638)
Cash flows provided from operating activities	_	253,013	_	143,250
Cash flows from investing activities				
Decrease (increase) in due from Gross Medical Opportunities GP		8,511		(3,861)
Cash flows from financing activities				
Increase in due to Gross Capital Inc.		2		100,424
Repayment of long-term debt		(103,939)		(98,481)
Increase in loan from Gross Capital Inc. (co-tenancies)		6,608		50,084
Proceeds from issuance of units		61,000		61,000
Redemption of units		(61,000)		(61,000)
Distributions		(169,834)		(169,524)
Increase (decrease) in due to Gross Securities Corp.		(7,906)		7,906
Increase in due to Gross Medical Opportunities GP, Inc.		973	_	=
Cash flows used in financing activities	_	(274,098)		(109,591)
Net increase (decrease) in cash		(12,574)		29,798
Cash, beginning of year		47,997		18,199
Cash, end of year	Ş	35,423	<u>\$</u>	47,997
Interest paid in year	\$		S	**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

1. NATURE OF BUSINESS AND GOING CONCERN

a) Nature of Business

Gross Medical Opportunities Fund (the "Trust") is an unincorporated open-ended trust established by the Fund's Declaration of Trust dated March 11, 2015. The Trust is a "mutual fund trust" for the purposes of the Income Tax Act (Canada).

The Trust was formed to: (a) acquire outstanding trust units of Gross Medical & Income Fund ("2014 Trust"), (b) wind up the 2014 Trust, and acquire the 2014 Trust's investment in limited partnership units of Gross Medical Opportunities Fund LP (formerly Gross Medical Income & Growth Fund 1 LP) (the "Partnership"), a Canadian limited partnership, and (c) to raise funds pursuant to an offering memorandum for the purposes of acquiring additional units in the Partnership. The Partnership is considered a related party due to common management with the Administrator of the Trust. The Partnership has acquired Canadian medical related income producing properties (the "income producing properties") and intends to own, and lease additional properties of this nature (the "Properties"). The Partnership may acquire Properties through limited partnerships or through joint ventures.

A limited partnership agreement governs the operations and business affairs of the Partnership. In accordance with the agreement, all operations are overseen by the general partner, Gross Medical Opportunities Fund GP Ltd. (the "General Partner").

The Trustees of the Trust are Mark Gross and Sheldon Gross (the "Trustees"). The Administrator of the Trust is Gross Adminco Inc. (the "Administrator").

The address of the Trust is 200 Ronson Drive, Suite 201, Toronto, Ontario, M9W 5Z9.

(b) Going concern

These consolidated financial statements have been prepared on the going concern basis, which presumes that the Trust will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast some doubt on the appropriateness of this assumption. The Trust has negative working capital. The Trust's ability to continue to operate depends on its ability to obtain additional financing. The proposed business of the Trust involves a high degree of risk and there is no guarantee that the Trust will be able to raise the required funds. These conditions indicate the existence of an uncertainty that may cast doubt on the Trust's ability to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

1. NATURE OF BUSINESS AND GOING CONCERN (Continued...)

These consolidated financial statements do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Trust be unable to achieve its plan and continue in business. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statements of financial position classifications used. The impact on the consolidated financial statements could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for held-for-trading financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2019.

These consolidated financial statements were approved by the Trustees on May 14, 2020.

These consolidated financial statements are presented in the functional currency of the Trust, Canadian dollars.

Principles of Consolidation

These consolidated financial statements include the accounts of the Trust and the Partnership. The Trust owns 100% of the Class A LP units of the Partnership. All inter-company accounts and transactions have been eliminated on consolidation.

Cash

Cash consists of cash on deposit. Amounts are carried at amortized cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently stated at amortized cost.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Trust after deducting all of its liabilities. Equity instruments issued by the Trust are recorded at the proceeds received, net of direct issue costs.

Investment Properties

The Trust accounts for its investment properties in accordance with International Accounting Standards ("IAS") 40, "Investment Properties" ("IAS 40"). Investment property is defined as property held to earn rentals, capital appreciation, or both, The Trust categorizes its investment properties as income-producing properties and properties under development. Investment properties are accounted for using the cost model wherein the cost of an income-producing property is allocated to its significant components and is amortized over the useful life of each component as described below. Properties under development are not amortized until they are reclassified to income-producing properties upon completion, as disclosed below.

In accordance with the Trusts investment policy, the trust records only its share of the assets, liabilities and share of the results of operations of the co-tenancy.

These consolidated financial statements include the Trust's 12.50% (2018- 12.50%) share of the King Oshawa Co-tenancy and the Trust's 5.8857% (2018 - 5.8857%) share of the Victoria Avenue North Cotenancy. (note 13)

The Trust records only its share of the assets, liabilities and share of the results of operations of the cotenancy. The assets, liabilities and results of operations are included within the respective line items of the consolidated statements of financial position, the consolidated statements of changes in net assets attributable to redeemable trust unitholders and the consolidated statement of comprehensive income. (see note 13)

Income-producing properties are recorded at cost and amortized using the following annual rate and method:

Buildings - 40 year straight line basis

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Environmental Remediation Costs

A provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs with, where appropriate, probability weighting for the different remediation or closure outcomes which could realistically arise. The ultimate cost of remediation is uncertain and Management uses its judgment and experience to provide for these costs.

Impairment of income producing properties

The income producing properties are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

Revenue recognition

The Trust has not transferred substantially all of the benefits and risks of ownership of its income producing properties and therefore accounts for leases with its tenants as operating leases. Rental revenue includes all amounts earned from tenants related to lease agreements including property tax and operating cost recoveries. The Trust recognizes rental revenue and other charges on a straight-line basis in accordance with the relevant lease agreements. The amount by which straight-line rental revenue exceeds the minimum rents collected in accordance with the lease agreements is included in deferred revenue.

Property rental revenue includes minimum rental revenue earned and operating expenses and realty tax reimbursements or recoveries earned under lease agreements with tenants. Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are accrued and recognized as revenue in the period the expenses are incurred and they become recoverable from the tenant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Critical judgments and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. These consolidated financial statements include assumptions and estimates which, by their nature, are uncertain. The impact of such estimates may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period which the estimate is revised and the revision affects both current and future periods. Assumptions and estimates that management has made at the consolidated statement of financial position date relate to, but are not limited to, the following:

Income-producing Properties

- The useful life of the income producing properties.
- Impairment of income producing properties.

Leases

The Trusts adoption of IFRS 16 on January 1, 2019 did not have a significant impact on the financial statements.

The Trust makes judgments in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Trust is lessor, are operating leases or financial leases. The Trust has determined that all of its leases are operating leases.

Lease Incentives

The Trust evaluates whether tenant improvement allowances are, in substance, lease incentives or capital expenditures of the Trust that enhance the value of the Trust's income-producing properties. This judgment also impacts revenue recognition commencement. This determination requires judgment and consideration of several factors, including whether the improvements enhance the value of the properties, tenant discretion in the use of funds, uniqueness of the improvements and the transfer of risks and rewards.

Investment Properties

Judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, when practical completion of the property occurs and identifying the point at which capitalization of borrowing costs ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Balance Sheet Presentation

In accordance with IAS 32 Financial Instruments: Presentation, puttable instruments are generally classified as financial liabilities. The Trust's units are puttable instruments, meeting the definition of financial liabilities in IAS 32. There are exception tests within IAS 32 which could result in classification as equity; however, the Trust units do not meet the exception requirements. Therefore, the Trust has no instrument qualifying for equity classification on its Statement of Financial Position pursuant to IFRS. The classification of all units as financial liabilities with presentation as net assets attributable to Unitholders does not alter the underlying economic interest of the Unitholders in the net assets and net operating results attributable to Unitholders.

Financial assets - Initial measurement

A financial asset or financial liability is initially measured at fair value plus for items not at fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"), transaction costs directly attributable to its acquisition or issue.

Financial assets - Classification and subsequent measurement

A financial asset is measured at amortized cost if it meets both of the following conditions (and is not designated as at fair value through profit or loss ("FVTPL"):

- 1. It is held with the objective to hold the asset and to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

Financial assets not measured at amortized cost as described above are measured at FVTPL. The Trust classifies its cash, accounts receivable and due from Gross Medical Opportunities GP Inc. as measured at amortized cost.

Financial liabilities - Classification and subsequent measurement

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss ("FVTPL"). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Under IFRS 9, the classification and measurement of liabilities under IFRS 9 generally remains unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Financial liabilities - Classification and subsequent measurement (continued..)

The Trust classifies accounts payable and accrued liabilities, loan from Gross Capital Inc., due to Gross Capital Inc., long-term debt, due to Gross Medical Opportunities Fund GP Inc., and due to Gross Securities Corp., as measured at amortized cost.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Trust has transferred substantially all of the risks and rewards of the asset. The Trust assesses at each reporting date whether there is any objective evidence that a financial asset is impaired, the impairment provision is based upon the expected loss.

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Trust currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment

The Trust recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortized cost:
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

With respect to cash the Trust measures the loss allowances at a 12-month ECL as cash balances credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Trust has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Trust determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience adjusted as appropriate to reflect current economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Future accounting policy changes

IFRS 3, Business Combinations ("IFRS 3"):

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effect for periods beginning on or after January 1, 2020 with earlier application permitted. The Partnership is currently evaluating the impact of the new standard on its financial statements.

3. DUE FROM/TO GROSS MEDICAL OPPORTUNITIES GP INC.

The amount is due from/to Gross Medical Opportunities GP Inc. The amount is unsecured, non-interest bearing and due on demand.

4. INCOME PRODUCING PROPERTIES

		Land		Buildings		Total
Cost				0		
Balance as at January 1, 2019	\$	776,476	\$	4,927,785	\$	5,704,261
Additions		_	_	_	_	
Balance as at December 31, 2019	\$	776,476	S	4,927,785	<u>\$</u>	5,704,261
Accumulated amortization						
Balance as at January 1, 2019	\$	-	\$	473,825	\$	473,825
Amortization for the year		=		213,197	_	213,197
Balance as at December 31, 2019	<u>\$</u>		\$	687,022	\$	687,022
Net book value						
At December 31, 2019	<u>\$</u>	776,476	<u>\$</u>	4,240,763	S	5,017,239
At December 31, 2018	\$	776,476	\$	4,453,960	\$	5,230,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

4. INCOME PRODUCING PROPERTIES (Continued...)

The income producing properties represents a 12.5% share of the King Oshawa Clinic Co-tenancy and a 5.8857% of the Victoria Avenue North Co-tenancy.

The fair value of the income producing properties at December 31, 2019 and December 31, 2018 is estimated to be \$5,900,000 and \$6,100,000 respectively.

Included in amortization of income producing properties is a \$90,000 (2018 - \$Nil) impairment charge to 304 Victoria St. N, Hamilton. Due to the termination of a head lease on this property, the Trust had an independent appraiser test this building for impairment. The direct comparison approach, income capitalization approach and the cost approach were used to determine the impairment charge.

The valuation of the King Oshawa property at December 31, 2019 was done by management, and not by an independent appraiser.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2019	2018
Accrued liabilities Accounts payable	<u>\$</u>	96,737 53,842	\$ 94,735 1,720
	<u>\$</u>	150,579	\$ 96,455

6. **DUE TO GROSS CAPITAL INC.**

The amount is due to Gross Capital Inc. which is related by virtue of being under common control to the General Partner of the Partnership and the Trustees.

The amount is unsecured, non-interest bearing and due on demand.

7. LOAN FROM GROSS CAPITAL INC. (CO-TENANCIES)

		2019	2018
Loan from Gross Capital Inc Victoria Co-tenancy Loan from Gross Capital Inc King Oshawa Co-tenancy.	pital Inc King Oshawa Co-tenancy. 25,092 44,399		
	\$	189,904	\$ 183,296

Amounts due to Gross Capital Inc. (co-tenancies), are unsecured, bear interest at 9% per annum and are due on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

8. **DUE TO GROSS SECURITIES CORP.**

The amount due to Gross Securities Corp., related by virtue of the fact that Gross Securities Corp. is owned by the Class B unitholders of the Partnership, is unsecured, non-interest bearing and due on demand. The loan was fully repaid as of December 31, 2019.

9. LONG-TERM DEBT

LONG-TERM DEBT			
		2019	2018
a 12.5% portion of the Oshawa Clinic Co-tenancy and bears interest at 4.00 interest rate after financi (2018 - 4.96%). The n Oshawa Property. The Transition of the Oshawa Property.	d on May 22, 2019 and represents mortgage assumed against King v. The mortgage has a 5 year term % (2018 - 4.04%). The effective ing costs are included is 4.13% nortgage is secured by the King rust's 12.5% share of the net book December 31, 2019 is \$3,071,527	\$ 2,013,843	\$ 2,070,862
represents a 5.8857% por against the Victoria Avenua 10 year term and bears i secured by the Victoria A Trust's 5.8857% share of	ed on November 12, 2015 and ortion of the mortgage assumed ue Co-tenancy. The mortgage has nterest at 4.00%. The mortgage is execute Co-tenancy property. The the net book value of this property		
on December 31, 2019 is 5	\$2,035,712 (2018 - \$2,085,018).	1,289,009	1,324,213
Less: transactions costs		3,302,852 (8,807)	3,395,075 (6,389)
Less: current portion		3,294,045 (86,265)	3,388,686 (2,106,066)
Long-term portion		\$ 3,207,780	\$ 1,282,620
The aggregate principal re	payments over the next five years and th	nereafter are as follows	S:
	2020 2021 2022 2023 2024 Thereafter	\$ 86,265 89,751 93,378 97,150 1,845,838 	
		\$ 3,302,852	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

10. COMMITMENTS

An annual asset management fee is paid to the General Partner of the Partnership for management services that the General Partner provides. The asset management fee is paid quarterly and is equal to 0.15% of the year end portfolio value of the Partnership.

An acquisition fee of 1% of the purchase price of the Properties is paid to the General Partner of the Partnership. Selling commissions of up to 7.5% of the gross cash proceeds from the sale of trust units may be paid.

On the sale of the properties (after the Trust has been paid its minimum return of 7% per annum), up to 10% of the net gain earned from the sale is paid to the Class B unitholders of the Partnership.

11. TRUST UNITS

The Trust was formed on March 11, 2015 with 1 initial trust unit issued at \$100 per unit. The Declaration of Trust provides an unlimited number of trust units (the "Units") may be issued. Each Unit is restricted and represents and equal undivided beneficial interest in any distributions of the Fund and in the net assets of the Fund in the event of termination or winding up of the Fund. Each Unit entitles the holder thereof to participate equally in the distributions and to one vote at all meetings of unitholders for each whole unit held. The issued Units are not subject to future capital calls or assessments. On June 30, 2015, the units of this Trust (the "2014 Trust") were purchased by the Trust at fair value. Aggregate consideration was paid through the issuance of 1,325,000 units having a value of \$1,113,374.

The Trustees or Administrator shall, upon the Fund receiving distributions of cash from the Partnership, on or before the 15th day of each month in which the Fund receives the distribution ("Distribution Record Date"), declare payable to the holders of the Units on such Distribution Record Date all or any part of the cash flow of the Fund for the preceding Distribution Record Date, as determined by the Trustees in their sole discretion. The value of each unit where the distribution is paid in Units will be \$1 per Unit.

The Trust may be required to redeem up to \$125,000 of Units in the form of cash in each fiscal quarter (the "Quarterly Limit") provided that the Administrator may, in its sole discretion, waive the limitation in respect of all Units tendered for redemption in any fiscal quarter. When the total amount payable in respect of all Units rendered for redemption in the same fiscal quarter exceeds the Quarterly Limit, Units will be redeemed for cash on a pro rata basis up to the Quarterly Limited and thereafter, subject to regulatory approvals, shall be paid and satisfied by the Trust distributing promissory notes ("Redemption Notes") for the balance. The Redemption Notes will be unsecured, bear interest from the issue date of each such note at a rate of 5%, payable annually in arrears, be subordinated and postponed to all senior indebtedness and which may be subject to specific subordination and postponement agreements to be entered into the Trust or Administrator with holders of senior indebtedness, be subject to early repayment without penalty, being due and payable on the third anniversary of the date of issuance, and being subject to the other standard terms and conditions as would be included in a promissory note of this kind, as may be approved by the Administrator. The Trust also may not be required to redeem Units in the form of cash if in the sole opinion of the Administrator, the payment would not be in the best interest of the Trust having regard to the then current cash position of the Trust or if the redemption of Units will result in the Trust losing its status as a mutual fund trust for the purpose of the Tax Act.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

11. TRUST UNITS (Continued...)

Each Unitholder shall be entitled to require the Trust to redeem all or any part of their Units, and shall be entitled to receive a price equal to 95% of the following: the subscription price paid by a Trust Unitholder to be redeemed adjusted by: (i) decreased by any unpaid net operating expenses incurred directly by the Trust determined on a per Unit basis, as at the date the redemption price is being determined; (ii) decreased by all distributions of cash flow of the Trust made with respect to a Unit up to and included the date the redemption price is being determined.

During 2019, 51,000 units were issued and 51,000 were redeemed for a net increase of nil units. This resulted in a net increase in unitholder capital of \$Nil. The units were issued (redeemed) as follows:

	<u>Units</u>	2	Capital
January 31, 2019	1,000	\$	1,000
June 28, 2019	50,000		50,000
January 31, 2019	(1,000)		(1,000)
June 28, 2019	(50,000)		(50,000)
		\$	

During 2018, 61,000 units were issued and 61,000 were redeemed for a net increase of nil units. This resulted in a net increase in unitholder capital of \$Nil. The units were issued (redeemed) as follows:

	<u>Units</u>	<u>Capital</u>		
July 31, 2018 July 31, 2018	61,000 (61,000)	\$ 61,000 (61,000)		
		<u>s -</u>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

12. RELATED PARTY TRANSACTIONS

Included in commercial rent and expenses recovered is \$43,806 (2018 - \$42,515) from a company which is related by virtue of being controlled by a Director of the General Partner.

Asset management fees of \$8,860 (2018 - \$8,860) were charged by a company related by virtue of being under common control of the Trustees. Property management fees of \$5,839 (2018 - \$5,839) were charged by a company related by virtue of being under common control of the General Partner. Commissions of \$Nil (2018 - \$4,695) were charged by a company related by virtue of being under common control of the General Partner.

Loan interest of \$16,979 (2018 - \$10,345) was charged on co-tenancy loans owned by companies controlled by Trustees of the Trust. (note 6)

Included in professional fees is \$500 (2018 - \$500) charged by Gross Adminco Inc., a company related by being under common control of the General Partner. Included in accounts receivable is \$425 (2018 - \$425) due from Gross Adminco Inc.

Participation fees of \$Nil (2018 - \$Nil) were charged by a company related by virtue of being controlled by a Director of the General Partner.

The following units are held by related parties of the fund:

Class A Limited Partnership units - 59,669 units (3% of Class A) are owned by Trustees of the Trust (2018 - 59,669 units (3% of Class A)) and 270,000 units (13% of Class A) are owned by companies controlled by Trustees of the Trust (2018 - 270,000 units (13% of Class A)).

Class B Limited Partnership units - 50,000,000 units (100% of Class B) are owned by companies controlled by Trustees of the Trust (2018 - 50,000,000 units (100% of Class B)).

The transactions are in accordance with the Offering Memorandum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

13. CO-TENANCY OPERATIONS

The following amounts included in these consolidated financial statements represent the Trust's 12.5% proportionate interest in the King Oshawa Medical Co-Tenancy and the 5.8857% (2018 - 5.8857%) proportionate interest in the Victoria Clinic Co-tenancy.

	2019	2018
Assets Liabilities Revenues and other income Expenses Net income	\$ 5,123,139 \$ 3,566,022 \$ 642,686 \$ 613,142 \$ 29,544	\$ 5,325,706 \$ 3,622,335 \$ 637,478 \$ 520,825 \$ 116,653
Cash provided by (used in) Operating activities Investing activities Financing activities	\$ 269,190 \$ - \$ (85,616)	\$ 223,713 \$ - \$ (47,666)

The Trust includes in it's consolidated financial statements, the proportionate share of the assets, liabilities, revenues and expenses of the King Oshawa Co-Tenancy from the date of acquisition on June 30, 2015 and the Victoria Avenue Co-Tenancy from acquisitions in 2015, 2016 and 2017. Included in assets and expenses above is a \$90,000 impairment charge against the Victoria Avenue Co-Tenancy (note 4).

14. MINORITY INTEREST DEFICIENCY

The minority interest deficiency in Gross Medical Opportunities LP consists of the following:

5 0 000 000	Class D. Harita I Danson I Laine and Albertan	2019		2018	
50,000,000	Class B Limited Partner Units owned by Trustees of the Trust General partner's share of equity	\$	500 (521)	\$ 	500 (517)
		\$	(21)	\$	(17)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 requires that the Trust disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at each financial position reporting date based on relevant market information about the financial instrument.

Financial assets and liabilities recorded at fair value in the Trust's consolidated statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Hierarchical levels, defined by IFRS 13 and directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities, are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Trust's management determined that no financial assets are carried at fair value.

The Trust's financial instruments consist of cash, accounts receivable, due from/to related parties and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Trust is not exposed to significant market, interest, currency and liquidity risks arising from these financial instruments except as noted below. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ii) Interest rate risk

The Trust has deposits in financial institutions. The Trust is exposed to reductions in interest rates, which could impact expected current and future returns. As at December 31, 2019, the amount of \$35,423 (2018 - \$47,997) was held in deposits with financial institutions.

<u>2019</u>

Financial assets	Floating Rate	Fixed Rate Non-interest bearing		Total	
Amortized cost	<u>\$ 35,423</u>	<u>\$</u>	\$ 32,321	\$ 67,744	
Financial liabilities					
Amortized cost	\$	\$ 3,483,949	\$ 604,792	\$ 4,088,741	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

ii) Interest rate risk (continued..)

2018

Financial assets	Floating Rate Financial Assets		Fixed Rate Financial Assets		Non-interest bearing		Total	
Amortized cost	\$ 47,997	Ş	-	<u>\$</u>	37,273	\$	85,270	
Financial liabilities								
Amortized cost	\$ 	\$ 3,571	,982	\$	557,601	\$	4,129,583	

iii) Currency risk

Currency risk is the risk to the Trust's earnings that arises from volatility in foreign exchange rates. This may have an adverse effect on the value of future revenues and assets denominated in currencies other than the Canadian dollar, absent any changes in market or investment specific event.

The Trust did not maintain any material balances in foreign currencies as at December 31, 2019.

iv) Liquidity risk

Liquidity risk is the risk that the Trust will not have sufficient debt and Trust unitholder's capital available to fund its growth and refinance its debts as they mature. The Trust's financial condition and results of operations would be adversely affected if it were unable to obtain financing, or obtain cost effective financing. The Trust manages liquidity risk by seeking new investors and by monitoring it's debt situation (see note 1(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

15.	FINANCIAL INSTE	RUMENTS ANI	D RISK MAN	AGEMEN	Г (Continued	.)	
	<u>2019</u>						
	Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
	Amortized cost	<u>\$ 67,744</u>	<u>s</u>	<u>s -</u>	<u>\$</u>	<u>S</u>	\$ 67,744
	Financial liabilities						
	Amortized cost	<u>\$ 880,961</u>	\$ 280,279	\$2,927,501	<u>\$</u>	<u>\$</u>	\$ 4,088,741
	2018						
	Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
	Amortized cost	<u>\$ 85,270</u>	<u>\$</u>	<u>s -</u>	<u>s</u>	<u> </u>	85,270
	Financial liabilities						
	Amortized Cost	<u>\$ 2,846,963</u>	<u>\$ 74,732</u>	\$ 80,893	1,126,995	<u> </u>	4,129,583

v) Economic dependence

As at December 31, 2019, one co-tenancy accounted for 67% (2018 - 66%) of revenues from operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

16. CAPITAL MANAGEMENT

The Trust's capital management policy is to maintain a strong capital base that optimizes the Trust's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for it's Trust unitholders. The Trust intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Trust's early stage of development and the requirement to sustain future development of the business.

The Trust will manage its capital structure and make changes to it in light of changes to economic conditions and other characteristics of the nature of the business. The Trust considers its capital structure to include Trust unitholder capital, long term debt and working capital. In order to maintain or adjust the capital structure, the Trust may from time to time issue units, seek debt financing and adjust its capital spending.

The Trust monitors capital based on its current working capital, projected cash flow from operations and anticipated capital expenditures.

The Trust is not subject to externally imposed capital requirements.

17. KEY MANAGEMENT COMPENSATION

Total direct and indirect compensation, including benefits to employees with responsibilities for strategic planning, oversight and control of the Trust amounted to \$Nil (2018 - \$Nil).

18. SUBSEQUENT EVENTS

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Trust's business activities. The extent to which the coronavirus may impact the Trust's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Trust cannot determine their financial impact at this time.

THIS IS **EXHIBIT "D"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow

Commissioner for Taking Affidavits (or as may be)



488 Wellington Street West Suite 300-302 Toronto, ON M5V 1E3 CANADA www.tyrllp.com Jason Wadden + 1 416 627 9815 jwadden@tyrllp.com

March 22, 2022

VIA EMAIL

WITHOUT PREJUDICE

David Sieradzki and Noah Goldstein KSV Advisory Inc. 150 King Street West, Suite 2308 Toronto, Ontario, M5H 1J9

Dear Sirs:

Re: Amounts Owing From Gross Medical Opportunity Fund to Gross Capital Inc.

As you know, we represent Mark Gross. We are writing to you further to our discussions regarding the amounts that are owing from Gross Medical Opportunity Fund ("GMOF") to Gross Capital Inc. ("GCI")

As we previously advised you, the amounts that may be showing as "owing" from GMOF to GCI on certain statements are not reflective of the amounts that are actually due and owing by GMOF to GCI. Below, we explain our client's position as to amounts owing between GMOF and GCI. Please note that since GMOF's books and records are in your possession in your capacity as bankruptcy trustee of GCI, our client's explanation below is being provided without the benefit of having access to the books and records. We believe that the information below will provide you with the roadmap to making whatever adjustments may be necessary and our client is willing to continue to work with you in that regards.

With that background and caveat, our client notes the following about the amounts owing from GMOF to GCI:

- 1. The financial statements of GMOF were prepared on a consolidated basis, and as a result not all of the amounts that are showing as owing to GCI are not in fact owing from GMOF itself to GCI, but rather are amounts that are owed to GCI by the co-tenancies that GMOF invested in. Accordingly, GCI will have to seek recovery of such amounts directly from the co-tenancies, some of which are in receivership or other insolvency proceedings. For example, the amounts owing to GCI on account of the King Oshawa co-tenancy has in fact been paid to GCI already.
- 2. Subject to paragraph 3 below, it was the intention and understanding between GMOF and GCI that the amounts owing directly from GMOF to GCI, if any, would not be due and payable until the unitholders of GMOF were ensured that their principal would be returned to them. This intention and understanding was not documented in writing given the common management of GMOF and GCI. Accordingly, while certain of these amounts



might be notionally "owing" by GMOF to GCI, the payment of these amounts was conditionally upon the GMOF unitholders being assured of the return of their principal amounts.

3. Further to paragraph 2 above, the amounts that may be listed as owing to GCI may include (i) amounts that were lent by GCI to GMOF to fund various start-up and other costs; and (ii) notional amounts on account of management fees, acquisition fees and all other fees (collectively, the "Fees") that GCI was earning as per the offering memorandum. While the amounts GCI in fact advanced to GMOF were amounts that were intended to be repaid at the appropriate time, the Fees were not to be paid, even if earned, unless and until the unitholders of GMOF were assured of receiving their principal in full. In this way, the unitholders were to be assured the return of their principal before GCI made any revenue from its involvement with GMOF.

Once you have had a chance to review and consider the foregoing, please contact us so that we can discuss how to finalize this matter.

Yours very truly,

Jason Wadden

JW/

THIS IS **EXHIBIT "E"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow

Commissioner for Taking Affidavits (or as may be)

Jeremy Nemers
Direct: 416.865,7724
E-mail: jnemers@airdberlis.com

April 11, 2022

VIA REGISTERED MAIL AND EMAIL (jeff@grosssecurities.ca and mark@danimax.ca)

Gross Medical Opportunities Fund 200 Ronson Drive, Suite 103 Toronto, ON M9W 5Z9

Attention: Jeff Herszkowicz and Mark Gross

Re: Demand loans owing by Gross Medical Opportunities Fund to Gross Capital Inc.

We are the lawyers for KSV Restructuring Inc. ("KSV") in its capacity as the Licensed Insolvency Trustee (in such capacity, the "Trustee") of Gross Capital Inc. (the "Bankrupt"). The Bankrupt filed an assignment in bankruptcy on June 25, 2021 (the "Date of Bankruptcy"), and the Trustee's appointment was affirmed at the first meeting of creditors convened on July 15, 2021.

Based on the Trustee's review of books and records pertaining to the Bankrupt, including, without limitation, the audited consolidated financial statements of Gross Medical Opportunities Fund (the "Fund") approved by Mark Gross and Sheldon Gross on May 14, 2020 for the Fund's fiscal year ended December 31, 2019 (collectively, the "Audited Financial Statements"), the Trustee understands that the Fund was indebted to the Bankrupt in respect of the following amounts:

- a) \$453,240, in respect of an unsecured, non-interest bearing demand obligation; and
- b) \$189,904, in respect of an unsecured, 9% per annum interest bearing demand loan.

For greater certainty, the Audited Financial Statements reflect that the foregoing indebtedness is a liability that would need to be satisfied before any of the Fund's net assets are available for distribution to the Fund's unit holders.

Based on the Trustee's review of the Bankrupt's books and records, the foregoing indebtedness has not been repaid to the Bankrupt. Given the 9% *per annum* interest rate on the demand loan in (b) above, the amount of indebtedness in respect of the demand loan in (b) above was \$225,624.94 as at December 31, 2021.

On behalf of the Trustee, and without in any way prejudicing the Trustee from making future demand for any other amounts that may be owing by the Fund to the Bankrupt (including, without limitation, in respect of any further advances to the Fund between January 1, 2020 and the Date of Bankruptcy), we hereby make formal demand on the Fund for payment of \$678,864.94, plus accruing interest from December 31, 2021 and any and all go-forward costs incurred by the Trustee in connection with the recovery of the foregoing (collectively, the "Known Indebtedness"). Payment of the Known Indebtedness is required to be made immediately, and, in any event, by no later than April 30, 2022 (the "Payment Deadline"). Interest continues to accrue on the Known Indebtedness at the rates indicated in the Audited Financial Statements.

If payment of the Known Indebtedness is not received by the Payment Deadline, the Trustee shall take whatever steps it considers necessary or appropriate to collect and recover the Known

Page 2

Indebtedness, including, without limitation, the commencement of any applicable legal proceedings considered advisable by the Trustee, in which case the Trustee will also be seeking all costs incurred in so doing.

The Trustee understands that approximately \$1.1 million is presently being held in trust by Fogler Robinoff LLP ("Fogler"), counsel to the Fund, from the sale of property in Oshawa, Ontario in which the Fund had an interest. The Trustee requests that the Fund, prior to the Payment Deadline, direct Fogler in writing (copying the Trustee) to release payment of the Known Indebtedness to the Trustee from the funds Fogler is holding in trust. We have taken the liberty of copying Mr. Sugar of Fogler on this letter.

Yours truly,

AIRD & BERLIS LLP

Jeremy Nemers

jn

cc: client (via email)

cc: Jason Wadden, Tyr LLP (via email) cc: Avi Sugar, Fogler LLP (via email) THIS IS **EXHIBIT "F"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow





488 Wellington Street West Suite 300-302 Toronto, ON MSV 1E3 CANADA

www.tvrllp.com

Jason Wadden + 1 416 627 9815 jwadden@tyrllp.com

April 18, 2022

DELIVERED VIA EMAIL

Jeremy Nemers
Aird Berlis LLP
181 Bay Street, Suite 1800
Toronto, Ontario M5J 2T9
Email: jnemers@airdberlis.com

Dear Mr. Nemers:

Re: Amounts Allegedly Owing From Gross Medical Opportunity Fund to Gross Capital Inc.

We represent Mark Gross and Gross Medical Opportunities Fund ("GMOF"). Your letter to Jeff Herszkowicz and Mark Gross dated April 11, 2022 (your "Letter") has been referred to us for response.

We note that your Letter does not address the contents of our letter dated March 22, 2022, that we sent to your client, KSV Restructuring Inc. ("KSV") in its capacity as the Licensed Insolvency Trustee (in such capacity, the "Trustee") of Gross Capital Inc. (the "Bankrupt"), setting out the relevant facts of this matter, and which, as describe below, explain why the amounts the Trustee is claim are owing are, in fact, not owing from GMOF to the Bankrupt. Accordingly, we will restate those points.

Please note that since GMOF's books and records are in your possession in your capacity as bankruptcy trustee of GCI, our client's explanation below is being provided without the benefit of having access to the books and records. The information below will provide you with the roadmap to making whatever adjustments may be necessary and our client is willing to continue to work with you in that regards.

With that background and caveat, our client notes the following about the amounts owing from GMOF to the Bankrupt:

1. The financial statements of GMOF were prepared on a consolidated basis and, as a result, not all of the amounts that are showing as owing from GMOF to the Bankrupt are not in fact owing from GMOF itself to the Bankrupt. Because the financial statements were prepared on a consolidated basis, amounts that the co-tenancies owed to the Bankrupt were rolled-up into the consolidated financial statements under the singular heading of "Owed to GCI" (or whatever the exact heading was). Accordingly, the party who is indebted for such amounts is not GMOF, but rather the co-tenancy itself. Accordingly, the Trustee will have seek recovery of such amounts directly from the co-tenancies, some of which are in receivership or other insolvency proceedings. For example, the amounts owing to the Bankrupt in respect of the King Oshawa co-tenancy were in fact been paid

directly to the Bankrupt already. As you know, the fact that financial statements were prepared on a consolidated basis does not change the identity of the legal obligor of the debt, nor does it mean that GMOF provided a guarantee that made it personally liable for such amounts. Any attempt by the Trustee to recover the amounts owed by the cotenancies itself from GMOF itself will have the impermissible effect of the Trustee taking money from a third party to pay the debts owed by someone else.

- 2. Subject to paragraph 3 below, it was the intention and understanding between GMOF and the Bankrupt that the amounts owing directly from GMOF to the Bankrupt, if any, would not become due and payable until the unitholders of GMOF were ensured that their principal would be returned to them. This intention and understanding was not documented in writing given the then common management of GMOF and the Bankrupt. Accordingly, such amounts are only a contingent liability owing from GMOF to the Bankrupt that does not become due and payable unless and until the GMOF unitholders are assured that their investment will be returned to them.
- 3. Further to paragraph 2 above, the amounts that may be listed as owing to the Bankrupt may include (i) amounts that were lent by the Bankrupt to GMOF to fund various start-up and other costs; and (ii) notional amounts on account of management fees, acquisition fees and all other fees (collectively, the "Fees") that the Bankrupt was entitled to earn as per the offering memorandum. While the amounts the Bankrupt in fact advanced to GMOF were amounts that were intended to be repaid at the appropriate time, the Fees were not to be paid, even if earned, unless and until the unitholders of GMOF were assured of receiving their principal in full. In this way, the unitholders were to be assured the return of their principal before GCI made any revenue from its involvement with GMOF.
- 4. We further note that the financial statements of GMOF were prepared for the purposes of GMOF for its own internal reporting purposes, and did not derogate from the conditions that existed for the payment of amounts that might have become due and payable to the Bankrupt. It is telling that the Trustee is not relying on any financial statement of the Bankrupt in support of its position. The fact that the books and records of the Bankrupt do not indicate that these amounts are due and payable show that the conditions for repayment have not been met.
- 5. Lastly, the amounts provided by the Bankrupt to GMOF to fund the start up costs were in the nature of an investment in GMOF as opposed to being a financing that was to be repaid regardless of the financial condition of GMOF.

For these reasons, the amount alleged to be owing in your Letter is, in fact, not owing. We invite you to provide our client with access to GMOF's books and records, which belong to GMOF and not the Trustee, so our client can work with the Trustee to determine whether any portion of the alleged indebtedness does not fall into the categories above and which is properly payable to the Trustee. Our client is committed to working expeditiously with the Trustee to this end, but it of course requires access to its own books and records in order to conduct such a review. Please advise us when the Trustee will provide our client with the books and records.

Lastly, we note that given the Trustee's position that GMOF itself owes the amounts alleged in your Letter, it should not be attempting to get execution before judgment by interfering with the GMOF's relationship with its counsel, Fogler Rubinoff LLP, by writing to them directly and asking them to not give GMOF its own money. The amounts held by Fogler Rubinoff LLP were amounts owing to GMOF from the King Oshawa co-tenancy. The Bankrupt has already received the amounts that it was owed from the King Oshawa co-tenancy, and has no claim to the funds in trust with Fogler Rubinoff LLP. GMOF reserves all rights with respect to any damages arising from the Trustee's attempt to prevent GMOF's counsel from transferring GMOF's funds to it.

Yours very truly,

Jason Wadden

THIS IS **EXHIBIT "G"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow

Jeremy Nemers
Direct: 416,865,7724
E-mail: jnemers@airdberlis.com

April 22, 2022

VIA EMAIL (jwadden@tyrllp.com)

Mark Gross and Gross Medical Opportunities Fund, c/o Tyr LLP 488 Wellington Street West, Suite 300-302 Toronto, ON M5V 1E3

Attention: Jason Wadden

Re: Demand loans owing by Gross Medical Opportunities Fund to Gross Capital Inc.

We are in receipt of your letter dated April 18, 2022 ("Your April 18 Letter"), which was in response to our letter dated April 11, 2022 (the "Trustee's April 11 Letter"). Unless otherwise stated, all capitalized terms herein are defined as in the Trustee's April 11 Letter.

The Trustee disagrees with Your April 18 Letter in all material respects. The below addresses several of the Trustee's issues with Your April 18 Letter, but is not intended to be exhaustive. Should it become necessary to bring this matter to the Court for adjudication, the Trustee may have additional points to raise in this regard.

Contrary to Your April 18 Letter, the Trustee's April 11 Letter did address the contents of your earlier letter dated March 22, 2022. In response to your earlier letter's purported assertion of a so-called "intention and understanding between GMOF and GCI that the amounts owing directly from GMOF to GCI, if any, would not be due and payable until the unitholders of GMOF were ensured that their principal would be returned to them," we expressly commented in the Trustee's April 11 Letter how "the Audited Financial Statements reflect that the [Known Indebtedness] is a liability [of the Fund] that would need to be satisfied before any of the Fund's net assets are available for distribution to the Fund's unit holders" and how the Audited Financial Statements were "approved by Mark Gross and Sheldon Gross on May 14, 2020 for the Fund's fiscal year ended December 31, 2019."

Given that debt is payable before unit holders are entitled to distributions from the Fund, nothing more ought to be said about this point. However, to the extent it is helpful, you and your clients should be aware of the following additional facts:

- a) in addition to the Audited Financial Statements reflecting the Known Indebtedness as a liability of the Fund ranking in priority to unit holder equity, the Fund's prior years' publiclyavailable audited financial statements for the years ended December 31, 2016 and December 31, 2015 ("Past Audited Financial Statements") reflect the same thing;
- b) these Past Audited Financial Statements are appended to the Funds' offering memoranda filed in 2017 and 2016, respectively, on SEDAR (the "Offering Memoranda"); and
- c) the Offering Memoranda include certificates, signed by both Mark and Sheldon Gross, certifying that the Offering Memoranda do "not contain a misrepresentation."

Moreover, the very inclusion of the Past Audited Financial Statements in the Offering Memoranda means that such statements were intended to be relied upon by members of the investing public. Accordingly, the comment in Your April 18 Letter that "the financial statements of GMOF were prepared for the purposes of GMOF for its own internal reporting purposes," appears to be inconsistent with the publicly filed Offering Memoranda.

The Trustee does not look favourably on false statements being made to it on behalf of the principal of the Bankrupt, and reminds your clients of their duties under the BIA.

For greater certainty, the demand made in the Trustee's April 11 Letter stands, as does the Payment Deadline of April 30, 2022 stated therein. Should the Known Indebtedness not be received by the Trustee by the Payment Deadline, Mr. Gross will be called upon under oath to explain his conduct in respect of this matter to the Court. The Trustee does not intend to litigate this matter via further written correspondence.

Finally:

- a) with respect to your request that the Trustee provide your clients with access to the Fund's books and records, which your clients apparently co-mingled with the Bankrupt's books and records, we note the following (which is not intended to be exhaustive):
 - the Bankrupt's estate ought not to bear the economic burden for your clients' comingling of the Fund's books and records with those of the Bankrupt; and
 - in any event, your own correspondence confirms that the so-called "intention and understanding between GMOF and GCI that the amounts owing directly from GMOF to GCI, if any, would not be due and payable until the unitholders of GMOF were ensured that their principal would be returned to them ... was not documented in writing given the then common management of GMOF and the Bankrupt" [emphasis added]; and
- b) with respect to your assertion that the Trustee is "interfering with the [sic] GMOF's relationship with its counsel, Fogler Rubinoff LLP, by writing to them directly and asking them to not give GMOF its own money," the Trustee did no such thing (as is clear from the language in last paragraph of the Trustee's April 11 Letter). We ask that your clients cease making unsubstantiated allegations against the Trustee.

Given that Your April 18 Letter states you are now representing both Mark Gross and the Fund in connection with this matter (whereas your previous correspondence only indicated you were representing Mark Gross in connection with this matter), we have not copied Fogler (who we understand is also the Fund's counsel) on this letter. The Trustee reserves all its rights and remedies under the BIA to contact Fogler, and any other person, for the purpose of, *inter alia*, taking steps to preserve any of the Bankrupt's property, including pursuing repayment of the Known Indebtedness.

Yours truly,

AIRD & BERLIS LI

Veremy Nemers cc: client (via email)

THIS IS **EXHIBIT "H"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow



488 Wellington Street West Suite 300-302 Toronto, ON MSV 11-3 CANADA www.tyrlip.com Jason Wadden +1 416 627 9815 jwadden'a tyrlip.com

May 1, 2022

DELIVERED VIA EMAIL

Jeremy Nemers
Aird Berlis LLP
181 Bay Street, Suite 1800
Toronto, Ontario M5J 2T9
Email: jnemers@airdberlis.com

Dear Mr. Nemers:

Re: Amounts Allegedly Owing By Gross Medical Opportunity Fund to Gross Capital Inc.

As you know, we represent Mark Gross and Gross Medical Opportunities Fund ("GMOF"). We refer to your letter dated April 22, 2022 (your "Letter").

As a preliminary matter, the suggestion in your Letter that our clients may have made misrepresentations to your client is neither accurate nor constructive. Moreover, your position also shows that you have not considered the fact that Mr. Gross owes fiduciary duties to GMOF, and that given his knowledge and understanding of the intended arrangements between GMOF and Gross Capital Inc. ("GCI"), he has an obligation to raise these issues with the trustee of GCI on behalf of GMOF. Your insinuation that he somehow is beholden to the trustee and must agree with the trustee's assertions is simply not true.

Moreover, your attempt to select and parse out certain information from select documents to suggest what is "true" also shows a lack of understanding of the arrangements between the two entities. First, you appear to continue to double count the amounts that are owing to GCI not from GMOF, but from the co-tenancies themselves and have not factored in the funds that GCI would have already received from those co-tenancies.

Second, your Letter ignores the fact that any amounts owing from GMOF to GCI were not due on a particular date, but were merely demand obligations. As such, demand could always be waived or not triggered until a certain time. As we have previously explained our client's evidence, it was the understanding and agreement between GMOF and GCI that such amounts would not be demanded until and unless GMOF's unitholders were assured that their investments would be returned to them. There is no requirement in law or otherwise that such arrangements and understandings must be set out in writing.

The position set out in your Letter also appears to ignore the fact that the issue here is which group of investors – GMOF's investors or GCI's investors – are entitled to the amounts that are



being realized on GMOF's own investments, and ignore the fact that this is not a matter of Mr. Gross trying to enrich himself.¹

Lastly, we note that there are other issues with your Letter, but our client is not interested in fighting over an exchange of letters, but rather wishes to sit down with the trustee to discuss a path forward to resolve these issues, as we advised the trustee weeks ago before your first letter on this matter.

Our client has been engaging in a dialogue with your client on these matters because your client simply does not, and cannot have, all of the relevant information regarding the arrangements between GMOF and GCI. Our client is only interested in ensuring that the proceeds from the realization of GMOF's assets are paid to those who are entitled to the proceeds, and ensuring that GMOF's investors are not disadvantaged by the clever arguments raised after the fact that do not reflect the understanding and intention between those entities at the time.

Again, it bears repeating that our client is desirous of working with the Trustee to reach a resolution of this matter as expeditiously as possible, and believes that the commencement of legal proceedings is not necessary. To that end, we suggest that we schedule a face-to-face meeting to discuss these issues and see if a resolution or a resolution process can be reached without the need for the extra cost and expense associated with formal legal proceedings. To that end, we suggest that we have a face-to-face meeting on one of May 9 or 10, 2022 (I personally cannot do sooner due to discoveries and filing deadlines.)

Please let us know if the Trustee is willing to meet with us to discuss these matters.

Yours very truly,

Jason Wadden

¹ It should also be noted that Mr. Gross' personal interest as a unitholder in GMOF is small, as he only has an interest of about \$35,000 in an RRSP



THIS IS **EXHIBIT "I"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

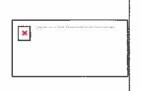
Joie Chow

From: Jason Wadden <jwadden@tyrllp.com>
Sent: Monday, May 9, 2022 11:41 AM

To: Jeremy Nemers

Cc:David Sieradzki; Noah Goldstein; Kyle PlunkettSubject:Re: [EXT]: Re: GMOF - Letter from Tyr ŁLP

Its been sent now. Speak tomorrow. Jason



Jason Wadden

T. <u>+1 416 627 9815</u>

E. iwadden@tyrllp.com

488 Wellington Street West, Suite 300-302

Toronto, ON M5V 1E3

From: Jeremy Nemers < jnemers@airdberlis.com>

Sent: Monday, May 9, 2022 11:38 AM

To: Jason Wadden < jwadden@tyrllp.com>

Cc: David Sieradzki <dsieradzki@ksvadvisory.com>; Noah Goldstein <ngoldstein@ksvadvisory.com>; Kyle Plunkett

<kplunkett@airdberlis.com>

Subject: Re: [EXT]: Re: GMOF - Letter from Tyr LLP

Good morning Jason. Following-up on this. Kindly circulate a dial-in for tomorrow at 1 p.m.

Thanks,

Jeremy

Get Outlook for iOS

From: Jeremy Nemers < jnemers@airdberlis.com>

Sent: Friday, May 6, 2022 12:44 PM

To: Jason Wadden

Cc: David Sieradzki; Noah Goldstein; Kyle Plunkett Subject: Re: [EXT]: Re: GMOF - Letter from Tyr LLP

Ok, that works for us. Please circulate a Zoom invite. Thanks.

Get Outlook for iOS

From: Jason Wadden < jwadden@tyrllp.com>

Sent: Friday, May 6, 2022 10:14 AM

To: Jeremy Nemers

Cc: David Sieradzki; Noah Goldstein; Kyle Plunkett Subject: Re: [EXT]: Re: GMOF - Letter from Tyr LLP

CAUTION -- EXTERNAL E-MAIL - Do not click links or open attachments unless you recognize the sender.

Can we do 1pm on Tuesday?

Jason



From: Jeremy Nemers < jnemers@airdberlis.com>

Sent: Friday, May 6, 2022 9:29 AM

To: Jason Wadden < jwadden@tyrllp.com>

Cc: David Sieradzki <dsieradzki@ksvadvisory.com>; Noah Goldstein <ngoldstein@ksvadvisory.com>; Kyle Plunkett

<kplunkett@airdberlis.com>

Subject: [EXT]: Re: GMOF - Letter from Tyr LLP

CAUTION: This e-mail originated from outside of the firm. Do not click links or open attachments unless you recognize the sender and know that the content is safe.

Hi Jason,

We are in receipt of your letter dated May 1, 2022. The Trustee's substantive position in the previous letters from me has not changed. The Trustee and its counsel are prepared to give your clients one final opportunity to credibly and satisfactorily explain and resolve this matter at a one-hour Zoom meeting, which we propose occur on Tuesday, May 10 at 2 p.m.

Please confirm that this date and time work.

Thanks,

Jeremy

Get Outlook for iOS

From: Jason Wadden < jwadden@tyrllp.com>

Sent: Sunday, May 1, 2022 8:29 PM

To: Jeremy Nemers

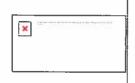
Cc: David Sieradzki; Noah Goldstein Subject: GMOF - Letter from Tyr LLP

CAUTION -- EXTERNAL E-MAIL - Do not click links or open attachments unless you recognize the sender.

Please see the attached letter.

Please let us know when we can sit down and discuss the GMOF matters. We have some ideas as to how this can be resolved. As set out in the letter, based on my schedule, we have suggested that we have a meeting early next week on May 9 or 10. We hope your client will engage with us to avoid unnecessary proceedings.

Best regards, Jason



Jason Wadden

T. <u>+1 416 627 9815</u>

E. wadden@tyrllp.com

488 Wellington Street West, Suite 300-302 Toronto, ON M5V 1E3 THIS IS **EXHIBIT "J"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow

107



438 Wallington Street West Suite 300-302 Toronto, ON IM5V 1E3 CANADA Vesta tyrllo com Jason Wadden = 1 416 62 / 9315 iwadden a tyrllo com

May 31, 2022

WITHOUT PREJUDICE

DELIVERED VIA EMAIL

Jeremy Nemers
Aird & Berlis LLP
181 Bay Street, Suite 1800
Toronto, Ontario M5J 2T9

Dear Mr. Nemers:

Re: Inquiry re: Amounts Allegedly Owing From Gross Medical Opportunities Fund

We refer to our various our correspondence and our meeting regarding amounts alleged to be owing from Gross Medical Opportunities Fund ("GMOF") to Gross Capital Inc. ("GCI"). During our last meeting, we advised that we would make inquiries regarding the following amounts that KSV Advisory Inc., in its capacity as the trustee in bankruptcy of GCI (in such capacity, the "Trustee") alleges is owing from GMOF to GCI: (i) the amount in respect of advances from GCI to GMOF (the "GMOF Amounts"); and (ii) amounts related to the co-tenancies (the "Co-Tenancies Amounts"). We have now had the opportunity to discuss our clients' findings with our client and note the following.

A. The GMOF Amounts

We do not intend to repeat everything that we stated in our previous correspondence regarding the GMOF Amounts. However, by way of summary, we note the following: (i) GMOF does not dispute that as a result of certain structuring steps that took place the outset of the creation of GMOF, certain amounts owing to GCI were assumed by GMOF as a demand obligation and that such amounts have not yet been repaid; and (ii) it was GCI's intention that demand for the repayment of the GMOF Amounts would not be made until the investors of GMOF were assured the return of their principal from their investment in GMOF.

The reason why it was GCI's intention that the GMOF amounts would not be demanded until GMOF's investors were assured the return of their principal was two-fold: (a) the amounts were outstanding in respect of certain set-up costs for an earlier iteration of GMOF and while those amounts were to be recoverable as a debt from GCI's perspective out of its investment in GMOF at the right time, any demand was to be postponed until the new investors in GMOF were assured



the return of their principal; and (b) given that the ultimate beneficiaries of the repayment of the GMOF Amounts would be the shareholders of GCI, it was believed that the GMOF investors should be assured that their principal was returned first before the shareholders of GCI profited from the repayment of the GMOF Amount. This intention is further reflected from the fact that no interest was bearing on the amounts advanced, such that GMOF was not to be prejudiced by the fact that the GMOF Amounts were outstanding. Clearly, this intention was something that was intended to, and did, benefit the investors of GMOF.

As previously noted, given that GCI and GMOF were, at the time, under common control, it was not considered necessary to document this intention as it was, at the time, something under the control of management. While in our conversations you have raised the fact that this arrangement was not formally recorded in writing, the Trustee needs to understand that the lack of formality, even if not ideal, is merely reflective of the fact that this was a closely held company. Moreover, GCI's financial statements were not prepare for public distribution, and our client is not aware of any person having been given a copy of the financial statements and seeing or relying upon any statement regarding the amounts in issue.

In light of these circumstances, GMOF may have available to it certain defences to the GMOF Advances being paid at this, including promissory estoppel. There is no legal requirement that these understandings regarding when the GMOF Amounts may be demanded be set out in writing. Moreover, the fact that at the time these understandings were reached GCI and GMOF were under common control is of no consequence – to these extent that GMOF has legal defence to the GMOF Amounts being demanded at this time exist regardless of how that *bona fide* understanding came about.

Our clients understand and appreciate the Trustee's need to determine whether the GCI Amounts are in fact owing to GCI in the circumstances, and our clients wish to be facilitative in that regard. However, as previously explained, given our clients understanding of the intention of when the GCI Amounts would be demanded, and having regard to their responsibilities to GMOF and its investors, they cannot simply authorize the repayment of the GCI Amounts unless and until it is determined whether those amounts are actually demandable at this time. This is particularly the case given that some, but not all, of the GMOF investors were advised of this understanding (given the nature of the personal relationship between GMOF's management and certain of its investors, this understanding was discussed verbally between them at the time of their investment).

We note that during our meeting, we had proposed that this matter be referred to an adjudicator for a summary and expedited determination and that GMOF would abide by the adjudicator's finding with no right of appeal (the concept being that the above facts would be laid before the adjudicator (including the fact that this understanding was not in writing) and if adjudicator determined that the Trustee has the right to demand the payment GMOF would honour that

determination. The Trustee immediately rejected this proposal. Accordingly, in another attempt to resolve this matter, GMOF proposes to resolve the issue on the following basis:

- GMOF will pay to the Trustee 50% of the GMOF Amount (subject to the caveat below) forthwith in exchange for a release of any and all claims against the remaining amounts; and
- (ii) Mark Gross will postpone his right to any distribution from GMOF on account of his personal unitholdings in GMOF held in an RSP until all other GMOF unitholders are assured the return of their principal.

We trust that the Trustee sees that this proposal is not an attempt to benefit our clients but rather is a resolution to ensure that the right unitholders benefit from the GMOF investments as was intended.

Please note that if this proposal is not acceptable, the our client Mark Gross will resign his positions from GMOF, and new trustees and managers will be appointed who will have to decide what approach to take, which will lead to unnecessary delays and costs for all parties.

Accordingly, our clients hope that GMOF Amounts issue can be resolved on the foregoing basis.

Please note that there is one further issue regarding the GMOF Amounts. In your previous correspondence, you had identify the GMOF Amount as being \$453,240. Our client has obtained copies of the unconsolidated versions of the last GMOF's financial statements that were prepared (attached). As you can see from those statements, the GMOF Amount owing from the Limited Partnership of the Fund is actually only \$355,357. It appears that the balance of the amount (being \$97,883) is owed by either the general partner or other entities. Our client's proposal above is with respect to the amount owed by the Limited Partnership, being \$355,357. The balance of the amounts owing are owed by other entities and should be paid by those entities to the extent that they have funds to do so (our client confirms that to the extent he controls any of those other entities he will take the steps necessary to pay the remainder amounts owing to GCI as those amounts are not amounts that should be paid to GMOF's unitholders.

B. Co-Tenancies Amounts

Our clients have obtained copies of the 2021 unconsolidated financial statements for GMOF (attached). These statements show that the amounts Co-Tenancies Amounts represent amounts owing between the co-tenancies and GCI directly, and are not amount involving GMOF. As previously mentioned, GMOF's financial statements were prepared on a consolidated basis, which had the effect of skewing the identified of the actual debtor. We note, in particular, with respect to the King Oshawa Medical co-tenancy, it appears that GCI in fact owes money to it.

Tyr LLP



We note that our interpretation of the Co-Tenancies Amounts has been confirmed by GMOF's auditors, Segal LLP.

Accordingly, as previously stated, the Co-Tenancy Amounts must be resolved directly between the Trustee and the co-tenancies themselves, and not from GMOF.

We look forward to hearing from you on the proposal noted above.

Yours very truly,

Jason Wadden

THIS IS **EXHIBIT "K"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow

From: Jason Wadden < jwadden@tyrllp.com>
Sent: Tuesday, June 14, 2022 2:33 PM
To: James Bunting; Jeremy Nemers

David Sieradzki; Kyle Plunkett; Noah Goldstein

Subject: Re: [EXT]: RE: Call re Gross

Jeremy:

Cc:

With respect to GMOF, we are working with the client to obtain authorization or feedback from GMOF's unitholders regarding a proposal along the lines that David mentioned during our call (we have relayed the fact that it was not an offer *per se*, but an indication of the type of proposal that the Trustee might recommend to the inspectors, etc.). As you can appreciate, we have had to put attention towards the issues in the Aqua Greens matter last week. But we are working this week on the process to get unitholder input on a proposal along those lines.

Jason



Jason Wadden

T. <u>+1 416 627 9815</u>
E. <u>iwadden@tyrlip.com</u>

488 Wellington Street West, Suite 300-302

Toronto, ON M5V 1E3

THIS IS **EXHIBIT "L"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow

From:

Jason Wadden <jwadden@tyrllp.com> Tuesday, August 23, 2022 10:18 AM

Sent: To:

Jeremy Nemers; David Sieradzki; Noah Goldstein

Subject:

Re: [EXT]: RE: GMOF - Confirmation of Amount of Proposed Resolution

Perhaps you can help me and show me where the Receiver has explained to us why the LP is liable for more than what is set out in the unconsolidated financial statements.

Jason Wadden

Tyr LLP



Jason Wadden

T. +1 416 627 9815

E. jwadden@tyrl p.com

488 Wellington Street West, Suite 300-302

Toronto, ON M5V 1E3

From: Jeremy Nemers < jnemers@airdberlis.com> Sent: Tuesday, August 23, 2022 9:59:37 AM

To: Jason Wadden <jwadden@tyrllp.com>; David Sieradzki <dsieradzki@ksvadvisory.com>; Noah Goldstein

<ngoldstein@ksvadvisory.com>

Subject: Re: [EXT]: RE: GMOF - Confirmation of Amount of Proposed Resolution

Again, your below email is not an accurate reflection of the facts. Thanks.

Get Outlook for iOS

From: Jason Wadden < jwadden@tyrllp.com> Sent: Tuesday, August 23, 2022 9:50 AM

To: Jeremy Nemers; David Sieradzki; Noah Goldstein

Subject: Re: [EXT]: RE: GMOF - Confirmation of Amount of Proposed Resolution

CAUTION -- EXTERNAL E-MAIL - Do not click links or open attachments unless you recognize the sender.

We are not saying the financial statements are contradictory. The fact is the LP has received proceeds from the sale of properties and is the entity that has funds. It only owes (subject to its defences) the amounts set out in the unconsolidated financial statements. We have asked what is the Trustee's theory as to why the LP is liable for more than the amount the financial statements state it owes - all the Trustee has ever done is point to the consolidated financial statements as the basis for its claim. We understand from your email below that the Trustee is refusing to share with us its reasoned theory as to why the LP owes more than the amount set out in the unconsolidated financial statements to allow us an opportunity to consider that theory and will instead only disclose it in a court proceeding. We will deal with the consequences of that approach in due course.

Jason



Jason Wadden

T. +1 416 627 9815

E. wadden@tyrllp.com

488 Wellington Street West. Suite 300-302

Toronto, ON M5V 1E3

From: Jeremy Nemers < jnemers@airdberlis.com>

Sent: Tuesday, August 23, 2022 9:23:10 AM

To: Jason Wadden <jwadden@tyrllp.com>; David Sieradzki <dsieradzki@ksvadvisory.com>; Noah Goldstein

<ngoldstein@ksvadvisory.com>

Subject: Re: [EXT]: RE: GMOF - Confirmation of Amount of Proposed Resolution

The financial statements are not contradictory, and your below email is not an accurate reflection of the facts.

You already have our position in writing, and we have yours. So, subject to receiving the instructions of the inspectors, it looks like we will be bringing this matter to the Court's attention.

Thanks,

Jeremy

Get Outlook for iOS

From: Jason Wadden <jwadden@tyrllp.com>
Sent: Tuesday, August 23, 2022 9:14 AM

To: David Sieradzki; Noah Goldstein; Jeremy Nemers

Subject: Re: [EXT]: RE: GMOF - Confirmation of Amount of Proposed Resolution

CAUTION -- EXTERNAL E-MAIL - Do not click links or open attachments unless you recognize the sender.

The proposal below is based on our last meeting when Mark was present, when we understood the Trustee understood the issue arising from the unconsolidated financial statement shows that only approx \$355k is owing from the LP. I don't understand how the Trustee can get a Court to order that the LP is to pay more than what is owed by it. The LP is not liable for any amounts other than what was paid to it and the financials show that only the \$355k amount is owing by it.

The only evidence the Trustee has provided to us to show that approx \$453k is owing by the LP is a consolidated financial statement, which is contradicted by the unconsolidated financial statements. Moreover, the Trustee has not provided any evidence that the larger sum was advanced to the LP. Nor have we been provided with any legal explanation or theory as to why the LP is liable for amounts that are greater than what is showing on its unconsolidated financial statements or why the LP would be liable for the debts of other entities. If the Trustee can help us with understanding why the LP, which we understand is the only entity with any funds, is obligated to pay the higher amount we will happily and quickly reconsider with our client. The Trustee has all the books and records and should be able to explain if the unconsolidated statements are not correct or otherwise show, through evidence, how the \$453k number is the right number in the face of financial statements that show that it is not. The Court is going to require more from the Trustee than merely pointing to consolidated financial statements that are contradicted by the unconsolidated financial statements prepared by the same accountant, and all we are asking is that if such evidence exists that the Trustee provide us that evidence so it can be considered and assessed. Otherwise, expecting that GMOF LP will turn over more money than what the financial records state is owing is not reasonable.

If we have missed something in your theory as to why the LP is liable to pay GCI more money than what it is personally liable for or is somehow liable for the debts of other entities, please let us know and we will get back to you before your 2pm meeting today.

Jason Wadden Tyr LLP



Jason Wadden

T. <u>+1 416 627 9815</u>

E. jwadden@tyrllp.com

488 Wellington Street West, Suite 300-302 Toronto, ON M5V 1E3

From: David Sieradzki <dsieradzki@ksvadvisory.com>

Sent: Tuesday, August 23, 2022 8:36:53 AM

To: Jason Wadden < jwadden@tyrllp.com>; Noah Goldstein < ngoldstein@ksvadvisory.com>; jnemers@airdberlis.com

<inemers@airdberlis.com>

Subject: [EXT]: RE: GMOF - Confirmation of Amount of Proposed Resolution

CAUTION: This e-mail originated from outside of the firm. Do not click links or open attachments unless you recognize the sender and know that the content is safe.

WITHOUT PREJUDICE

Jason -

This isn't meant to be heavy-handed or as a negotiation. The number that we would be prepared to recommend for inspector approval is \$453,240 (less \$50k). To be honest, we are unsure if that discounted amount would even be acceptable to the inspectors. In any event, our recommendation to the inspectors today will be to reject the proposal you sent below and to proceed to bring a motion.

Our meeting is at 2pm this afternoon. If your client changes its position, please let us know before then.

David



T 416.932.6030 M 416.428.7211

W www.ksvadvisory.com

From: Jason Wadden < jwadden@tyrllp.com>

Sent: August 23, 2022 7:30 AM

To: David Sieradzki <dsieradzki@ksvadvisory.com>; Noah Goldstein <ngoldstein@ksvadvisory.com>;

jnemers@airdberlis.com

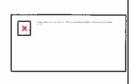
Subject: GMOF - Confirmation of Amount of Proposed Resolution

WITHOUT PREJUDICE

Further to our exchange of emails yesterday, I am writing to particularlize the amount of at which GMOF is prepared to settle the dispute regarding what amounts, if any, are owing to GCI.

In our last letter, attached for your convenience, we showed that the unconsolidated financial statements show that only \$355,357 is "owing" from GMOF LP, which is the entity that received the sales proceeds and has funds, not \$453,240 shown on the consolidated financial statement. Accordingly, the offer after accounting for the \$50,000 reduction that the Trustee said it will propose, is for \$305,357 (being \$355,357 less \$50,000).

Jason



Jason Wadden

T. +1 416 627 9815

E. wadden@tyrllp.com

488 Wellington Street West, Suite 300-302

Toronto, ON M5V 1E3

THIS IS **EXHIBIT "M"** REFERRED TO IN THE AFFIDAVIT OF MARK GROSS AFFIRMED JANUARY 10, 2023.

Joie Chow



438 Wellington Street West Suite 300 302 Toronto, ON MISV 1E3 CANADA Jason Wadden + 1 416 627 9815 |wadden@tyrllp.com

September 21, 2022

DELIVERED VIA EMAIL

Jeremy Nemers
Aird Berlis LLP
181 Bay Street, Suite 1800
Toronto, Ontario M5J 2T9
Email: jnemers@airdberlis.com

Dear Mr. Nemers:

Re: GMOF - Amounts Allegedly Owing By to Gross Capital Inc.

We refer to our discussions regarding (i) the amounts that KSV Advisory Inc. (the "Trustee"), in its capacity as trustee in bankruptcy of Gross Capital Inc. ("GCI"), alleges is owing to GCI from "Gross Medical Opportunity Fund"; and (ii) the Trustee's demand that it use the proceeds from the recent sale of properties to repay that amount to GCI.

We have previously advised you of the following. First, the proceeds from the sale of properties arose from the sale of properties owned by Gross Medical Opportunities Fund LP ("GMOF LP"), the limited partnership, and not Gross Medical Opportunities Fund GP Inc. ("GMOF GP"). The sale proceeds, similarly, are owned by GMOF LP and not GMOF GP. Second, the amount owed by GMOF LP is not \$453,240 as the Trustee claims, but rather is \$355,357 (the "LP Amount"), as shown in the unconsolidated financial statements previous provided to you, another copy of which is enclosed.

GMOF LP is prepared to pay the LP Amount forthwith but cannot pay the amounts owing to GCI by a different entity, GMOF GP. Please provide us the appropriate wire transfer instructions and GMOF LP will affect the payment of the LP Amount.

Yours very truly,

Jason Wadden

Encl.

GROSS MEDICAL OPPORTUNITIES FUND LP FINANCIAL STATEMENTS DECEMBER 31, 2019

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SEGAL LLP Chartered Professional Accountants

4101 Yonge Street Suite 502, P.O. Box 202 Toronto, ON M2P 1N6

416 39 1 4 4 99 | 800 206 7 307

segallip.com

INDEPENDENT AUDITOR'S REPORT

To the Partners of Gross Medical Opportunities Fund LP Opinion

We have audited the accompanying financial statements of Gross Medical Opportunities Fund LP. (the "Partnership") which comprise the statement of financial position as at December 31, 2019 and the statements of comprehensive income, changes in partners' capital and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section on our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(b) in the financial statements which indicates that Gross Medical Opportunities Fund LP has negative working capital and its operations are dependent on receiving additional financing. These financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Without modifying our conclusion, we draw attention to Note 18 of the financial statements which describes that a recent health crisis has had an adverse impact on the Partnership's operations.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.





Independent Auditor's Report Page 2

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Financial Reporting Standards (IFRS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report Page 3

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants Licensed Public Accountants

Segal LLP

Toronto, Ontario May 14, 2020

GROSS MEDICAL OPPORTUNITIES FUND LP STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

2019	2018
\$ 19,130 31,917 58,227 	\$ 33,186 28,762 49,801 1,556 8,511 121,816
5,017,239	5,230,436
\$ 5,126,513	<u>\$ 5,352,252</u>
\$ 150,589 355,357 86,265 189,904 86,721 33,341 973 ———————————————————————————————————	\$ 96,473 355,357 2,106,066 183,296 89,316
	1,282,620
<u>4,110,930</u>	4,121,034
1,015,583	1,231,218
<u>\$ 5,126,513</u>	\$ 5,352,252
Partner	
Partner	
	31,917 58,227

GROSS MEDICAL OPPORTUNITIES FUND LP STATEMENT OF CHANGES IN PARTNERS' CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2019

	Class A Limited Partners	Class B Limited Partners	General Partner	Total Partners' Capital
Balance, January 1, 2019, note 12	\$ 1,231,235	s 500	s (517)	\$ 1,231,218
Issuance of partnership units (Class A), note 12	51,000	-	(3.7)	51,000
Redemption of partnership units (Class A), note 12		_		(51,000)
Distributions	(169,834)		_	(169,834)
Comprehensive loss for the year	(45,797)	_	(4)	(45,801)
	\$ 1,015,604	\$ 500	\$ (521)	\$ 1,015,583
	Class A Limited Partners	Class B Limited Partners	General Partner	Total Partners' Capital
Balance, January 1, 2018, note 12	\$ 1,374,745	\$ 500	(520)	\$ 1,374,725
Issuance of partnership units (Class A), note 12	61,000			61,000
Redemption of partnership units (Class A), note 12		+	170	(61,000)
Distributions	(169,524)		-	(169,524)
Comprehensive income for the year	26,014	.25	3	26,017
Balance, December 31, 2018, note 12	\$ 1,231,235	<u>s 500</u>	S (517)	<u>\$ 1,231,218</u>

GROSS MEDICAL OPPORTUNITIES FUND LP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Revenue		
Commercial rent, note 13	\$ 407,625	\$ 406,022
Expenses recovered, note 13	238,533	231,098
Interest income	2,316	975
	648,474	638,095
Recoverable expenses		
Property tax	79,109	78,438
Maintenance	57,609	56,923
Utilities	53,765	50,233
Property management fees, note 13	15,665	18,268
Parking	12,497	10,651
Landscaping and snow removal	11,611	11,967
Office supplies	4,235	3,134
Insurance	3,143	3,356
	237,634	232,970
General and administrative expenses		
Professional fees, note 13	71,990	77,331
Asset management fees, note 13	8,860	8,860
Office and general	811	2
Bank charges	160	901
Commissions, note 13		4,695
	81,821	91,787
Income before the undernoted	329,019	313,338
Mortgage interest	133,086	137,301
Loan interest, note 13	16,979	10,345
Amortization of deferred financing fees	9,298	14,219
Amortization of deferred tenant inducements	2,260	2,260
Amortization of income-producing properties, note 5	213,197	123,196
	374,820	287,321
Comprehensive income (loss) for the year	<u>\$ (45,801)</u>	<u>\$ 26,017</u>

GROSS MEDICAL OPPORTUNITIES FUND LP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Cash flows from operating activities	· · · · · ·	
Comprehensive income (loss) for the year	\$ (45,801)	\$ 26,017
Amortization of income producing properties	213,197	123,196
Amortization of deferred financing fee	9,298	14,219
Amortization of deferred tenant inducement	2,260	2,260
	178,954	165,692
Changes in non-cash working capital balances		
Increase in prepaid expenses	(10,686)	(10,484)
Increase in accounts receivable	(3,155)	(176)
Increase (decrease) in accounts payable and accrued liabilities	54,116	(10,628)
Change in government remittances	34,897	(908)
Cash flows provided from operating activities	<u>254,126</u>	143,496
Cash flows from investing activities Decrease (increase) in due from Gross Medical Opportunities GP, Inc.	8,511	(3,861)
Cash flows from financing activities		
Issuance of Class A LP units	51,000	61,000
Redemption of Class A LP units	(51,000)	(61,000)
Repayment of long-term debt	(103,939)	(98,482)
Increase (decrease) in due to Gross Securities Corp.	(7,906)	7,906
Increase in loan from Gross Capital Inc. (co-tenancies)	6,608	50,084
Advances from Gross Capital Inc.	-	100,424
Increase in due to Gross Medical Opportunities GP, Inc.	973	-
Decrease in due to Gross Medical Opportunities Fund	(2,595)	(4,371)
Distributions	(169,834)	(169,524)
Cash flows used in financing activities	(276,693)	(113,963)
Net increase (decrease) in cash	(14,056)	25,672
Cash, beginning of year	33,186	7,514
Cash, end of year	<u>\$ 19,130</u>	\$ 33,186
Interest paid in year	<u> </u>	<u>s</u>

1. NATURE OF BUSINESS AND GOING CONCERN

a) Nature of Business

Gross Medical Opportunities Fund LP (the "Partnership") is a limited partnership formed under the laws of the Province of Alberta, established by the Limited Partnership Agreement on July 3, 2013 and amended and restated on December 5, 2013. The Partnership was formed for the purposes of acquiring, owing, and leasing a portfolio of medical related income producing commercial real estate properties in Canada (the "Properties"). The Partnership may acquire Properties through limited partnerships or through joint ventures. The Partnership changed its name from Gross Medical Income & Growth Fund 1 LP on March 17, 2015.

The address of the Partnership is 200 Ronson Drive, Suite 201, Toronto, Ontario.

The General Partner of the Partnership is Gross Medical Opportunities Fund GP Inc. (the "General Partner"), and is responsible for the management, operation and administration of the affairs of the Partnership.

Gross Medical Opportunities Fund (the "Trust") owns 100% of the Class A LP units of the Partnership.

These financial statements reflect only the assets, liabilities, revenues and expenses of the Partnership and do not include any other assets, liabilities, revenues or expenses of the partners or the liability of the partners for taxes on earnings of the Partnership. Such taxes, if any, are a liability of each partner.

No provision has been made in the accounts for interest on the partners' invested capital.

(b) Going concern

These financial statements have been prepared on the going concern basis, which presumes that the Partnership will be able to realize its assets and discharge its liabilities in the normal course of business for the foresceable future.

Several conditions cast some doubt on the appropriateness of this assumption. The Partnership has negative working capital. The Partnership's ability to continue to operate depends on its ability to obtain additional financing.

These financial statements do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Partnership be unable to achieve its plan and continue in business. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. The impact on the financial statements could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

Basis of preparation

These financial statements have been prepared on a historical cost basis except for held-for-trading financial instruments, which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2019.

These financial statements were approved by the General Partner on May 14, 2020

These financial statements are presented in the functional currency of the Partnership, Canadian dollars.

Cash

Cash consists of cash on deposit. Amounts are carried at amortized cost.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recognized initially at fair value and subsequently stated at amortized cost.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Partnership after deducting all of its liabilities. Equity instruments issued by the Partnership are recorded at the proceeds received, net of direct issue costs.

Limited partnership units

The Partnership's units are redeemable at the option of the holder and, therefore, are considered puttable instruments. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32 Financial Instruments: Presentations, in which case, the puttable instrument may be presented as equity. The Partnership's units were determined to meet the conditions of IAS 32 and are, therefore classified and accounted for as equity.

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Investment Properties

The Partnership accounts for its investment properties in accordance with International Accounting Standards ("IAS") 40, "Investment Properties" ("IAS 40"). Investment property is defined as property held to earn rentals, capital appreciation, or both, The Partnership categorizes its investment properties as income-producing properties and properties under development. Investment properties are accounted for using the cost model wherein the cost of an income-producing property is allocated to its significant components and is amortized over the useful life of each component as described below. Properties under development are not amortized until they are reclassified to income-producing properties upon completion, as disclosed below.

These financial statements include the Partnership's 12.50% (2018 - 12.50%) share of the King Oshawa Medical Co-Tenancy and the Partnerships 5.8857% (2018 - 5.8857%) share of the Victoria Clinic Cotenancy.

The Partnership records only its share of the assets, liabilities and share of the results of operations of the co-tenancy. The assets, liabilities and results of operations are included within the respective line items of the statements of financial position, the statements of changes in partners' capital and the statement of comprehensive income (see note 14).

The income producing properties are recorded at cost and amortized on a straight line basis over 40 years.

Environmental Remediation Costs

A provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs with, where appropriate, probability weighting for the different remediation or closure outcomes which could realistically arise. The ultimate cost of remediation is uncertain and Management uses its judgment and experience to provide for these costs.

Impairment of income producing properties

The income producing properties are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Partnership estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

Impairment of income producing properties (continued..)

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the year.

Revenue recognition

The Partnership has retained substantially all of the benefits and risks of ownership of its income producing properties and therefore accounts for leases with its tenants as operating leases. Rental revenue includes all amounts earned from tenants related to lease agreements including property tax and operating cost recoveries. The Partnership recognizes rental revenue and other charges on a straight-line basis in accordance with the relevant lease agreements. The amount by which straight-line rental revenue exceeds the minimum rents collected in accordance with the lease agreements is included in deferred revenue.

Property rental revenue includes minimum rental revenue earned and operating expenses and realty tax reimbursements or recoveries earned under lease agreements with tenants. Recoveries from tenants, consisting of amounts due from tenants for common area maintenance, real estate taxes and other recoverable costs, are accrued and recognized as revenue in the year the expenses are incurred and they become recoverable from the tenant.

Critical judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results may differ from those estimates. These financial statements include assumptions and estimates which, by their nature, are uncertain. The impact of such estimates may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the year which the estimate is revised and the revision affects both current and future years. Assumptions and estimates that management has made at the statement of financial position date relate to, but are not limited to, the following:

Income-producing property

- The useful life of the income producing properties.
- Impairment of income producing properties.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Leases

The Partnerships adoption of IFRS 16 on January 1, 2019 did not have a significant impact on the financial statements.

The Partnership makes judgments in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Partnership is lessor, are operating or financial leases. The Partnership has determined that all of its leases are operating leases.

Lease Incentives

The Partnership evaluates whether tenant improvement allowances are, in substance, lease incentives or capital expenditures of the Partnership that enhance the value of the Partnership's income-producing properties. This judgment also impacts revenue recognition commencement. This determination requires judgment and consideration of several factors, including whether the improvements enhance the value of the properties, tenant discretion in the use of funds, uniqueness of the improvements and the transfer of risks and rewards.

Investment Properties

Judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, when practical completion of the property occurs and identifying the point at which capitalization of borrowing costs ceases.

Financial assets - Initial measurement

A financial asset or financial liability is initially measured at fair value plus for items not at fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"), transaction costs directly attributable to its acquisition or issue.

Financial assets - Classification and subsequent measurement

A financial asset is measured at amortized cost if it meets both of the following conditions (and is not designated as at fair value through profit or loss ("FVTPL"):

- 1. It is held with the objective to hold the asset and to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI")

Financial assets not measured at amortized cost as described above are measured at FVTPL. The Partnership classifies its cash, due from Gross Opportunities Fund GP and accounts receivable as measured at amortized cost.

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Financial liabilities - Classification and subsequent measurement

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss ("FVTPL"). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Under IFRS 9, the classification and measurement of liabilities under IFRS 9 generally remains unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

The Partnership classifies accounts payable and accrued liabilities, loan from Gross Capital Inc. (cotenancies), due to Gross Capital Inc., long-term debt, due to Gross Medical Opportunities Fund GP Inc., due to Gross Medical Opportunities Fund and due to Gross Securities Corp. as measured at amortized cost.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Partnership has transferred substantially all of the risks and rewards of the asset. The Partnership assesses at each reporting date whether there is any objective evidence that a financial asset is impaired, the impairment provision is based upon the expected loss.

The Partnership derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Partnership currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Impairment

The Partnership recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

With respect to cash the Partnership measures the loss allowances at a 12-month ECL as cash balances credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Partnership has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Partnership determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience adjusted as appropriate to reflect current economic conditions.

Future accounting policy changes

IFRS 3, Business Combinations ("IFRS 3"):

The IASB published an amendment to the requirements of IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendment clarifies the definition of a business and provides additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendment is effect for periods beginning on or after January 1, 2020 with earlier application permitted. The Partnership is currently evaluating the impact of the new standard on its financial statements.

DUE FROM/TO GROSS MEDICAL OPPORTUNITIES GP INC.

Amounts are due from/to Gross Medical Opportunities GP Inc. The amounts are unsecured, non-interest bearing and due on demand.

4. DUE TO GROSS CAPITAL INC.

Amounts are due to Gross Capital Inc., which is related by virtue of being controlled by a Director of the General Partner. The amounts are unsecured, non-interest bearing and due on demand.

5. INCOME-PRODUCING PROPERTIES

Cost		Land		Buildings		Total
Balance as at January 1, 2019 Additions	\$	776,476	\$	4,927,785	\$ —	5,704,261
Balance as at December 31, 2019	<u>\$</u>	776,476	<u>\$</u>	4,927,785	\$	5,704,261
Accumulated amortization						
Balance as at January 1, 2019	\$	21	\$	473,825	\$	473,825
Amortization during the period				213,197	_	213,197
Balance as at December 31, 2019	\$	-	<u>s</u>	687,022	<u>\$</u>	687,022
Net book value						
At December 31, 2019	\$	776,476	\$	4,240,763	\$	5,017,239
At December 31, 2018	<u>\$</u>	776,476	<u>\$</u>	4,453,960	\$	5,230,436

The income producing properties represents a 12.5% share of the King Oshawa Clinic Co-tenancy and a 5.8857% of the Victoria Avenue North Co-tenancy. The fair value of the income producing properties at December 31, 2019 and December 31, 2018 is estimated to be \$5,900,000 and \$6,100,000 respectively.

Included in amortization of income producing properties is a \$90,000 (2018 - \$Nil) impairment charge to 304 Victoria St. N, Hamilton. Due to the termination of a head lease on this property, the Partnership used an independent appraiser to test this building for impairment. The direct comparison approach, income capitalization and cost approach were used to determine the impairment charge. The valuation of the King Oshawa property at December 31, 2019 was done by management, and not by an independent appraiser.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018	
Accrued liabilities Accounts payable	\$ 96,751 53.838	\$ 94,752 1,721	
	\$ 150,589	<u>\$ 96,473</u>	

7. LOAN FROM GROSS CAPITAL INC. (CO-TENANCIES)

	2019	2018
Loan from Gross Capital Inc Victoria Co-tenancy Loan from Gross Capital Inc King Oshawa Co-tenancy	\$ 164,812 25,092	\$ 138,897 44,399
	<u>\$ 189,904</u>	\$ 183,296

Amounts due to Gross Capital Inc. (co-tenancies), are unsecured, bear interest at 9% per annum and are due on demand.

8. DUE TO GROSS MEDICAL OPPORTUNITIES FUND

The amount due to Gross Medical Opportunities Fund (the "Trust"), related by virtue of the fact that the Trust holds 100% of the Class A limited partnership units of the Partnership, is unsecured, non-interest bearing and due on demand.

9. **DUE TO GROSS SECURITIES CORP.**

The amount due to Gross Securities Corp., related by virtue of the fact that Gross Securities Corp. is owned by the Class B unitholders of the Partnership, is unsecured, non-interest bearing and due on demand. The balance was repaid as of December 31, 2019.

10.	LONG-TERM DEBT	2019	2018
	Mortgage payable renewed on May 22, 2019 and represents a 12.5% portion of the mortgage assumed against King Oshawa Clinic Co-tenancy. The mortgage has a 5 year term and bears interest at 4.00% (2018 - 4.04%). The effective interest rate after financing costs are included is 4.13% (2018 - 4.96%). The mortgage is secured by the King Oshawa Property. The Partnership's 12.5% share of the net book value of this property on December 31, 2019 is \$3,071,527 (2018 - \$3,145,418).	\$ 2,013,843	\$ 2,070,862
	Mortgage payable assumed on November 12, 2015 and represents a 5.8857% portion of the mortgage assumed against the Victoria Avenue Co-tenancy. The mortgage has a 10 year term and bears interest at 4.00%. The mortgage is secured by the Victoria Avenue Co-tenancy property. The Partnership's 5.8857% share of the net book value of this property on December 31, 2019 is \$2,035,712 (2018)		
	\$2,085,018).	1,289,009	1,324,213
	Transactions costs	3,302,852 (8,807)	3,395,075 (6,389)
	Less: current portion	3,294,045 86,265	3,388,686 <u>2,106,066</u>
	Long-term portion	\$ 3,207,780	<u>\$ 1,282,620</u>
	The aggregate principal repayments over the next five years and	I thereafter are as follow	<i>r</i> s:
	2020 2021 2022 2023 2024 Thereafter	\$ 86,265 89,751 93,378 97,150 1,845,838 1,090,470 \$ 3,302,852	

11. COMMITMENTS

The Partnership pays an annual asset management fee to the General Partner of the Partnership for management services that the General Partner provides. The asset management fee is paid quarterly and is equal to 0.15% of the year end portfolio value of the Partnership.

The Partnership pays an acquisition fee of 1% of the purchase price of the Properties to the General Partner of the Partnership.

The Partnership pays selling commissions of up to 7.5% of the gross cash proceeds from the sale of trust units. The Partnership pays the balance of distributable cash (after the Trust has been paid its minimum return of 7% per annum) up to 10% of the net gain earned from the sale of the Properties to the Class B unitholders of the Partnership.

12. PARTNERS' CAPITAL

Authorized

As at December 31, 2019, the Partnership was authorized to issue the following:

50,000,000 Class A limited partnership units - voting, redeemable (Class A Units)

50,000,000 Class B limited partnership units (Class B Units)

The number of units outstanding are as follows:

For the year ended December 31, 2019:

	December 31, 2019			<u>December 31, 201</u> 8			
	Net				Net		
	Opening	<u>Issued</u>	Ending	Opening	<u>Issued</u>	Ending	
Class A units	2,142,426	Nil	2,142,426	2,142,426	Nil	2,142,426	
Class B units	50,000,000	Nil	50,000,000	50,000,000	Nil	50,000,000	

2019

During 2019, the Partnership issued a total of 51,000 Class A units for \$51,000. On January 31, 2019, 1,000 Class A units were redeemed for a payout of \$1,000 and on June 28, 2019, another 50,000 Class A units were also redeemed for a payout of \$50,000. As a result of redeeming the Class A units, \$1,250 of fees were paid to Gross Securities Corp.

2018

During 2018, the Partnership issued 61,000 Class A units for \$61,000. On July 31, 2018, 61,000 Class A units were redeemed for a payout of \$61,000. As a result of redeeming the Class A units, \$3,050 of fees were paid to Gross Securities Corp.

13. RELATED PARTY TRANSACTIONS

Included in Commercial rent and expenses recovered is \$43,806 (2018 - \$42,515) from a company which is related by virtue of being controlled by a Director of the General Partner.

Asset management fees of \$8,860 (2018 - \$8,860) were charged by a company related by virtue of being under common control of the General Partner. Commissions of \$Nil (2018 - \$4,695) were charged by a company related by virtue of being under common control of the General Partner.

Class A Limited Partnership units - 59,669 units (3% of Class A) are owned by Trustees of the Trust (2018 - 59,669 units (3% of Class A)) and 270,000 units (13% of Class A) are owned by companies controlled by Trustees of the Trust (2018 - 270,000 units (13% of Class A)). Class B Limited Partnership units - 50,000,000 units (100% of Class B) are owned by companies controlled by Trustees of the Trust (2018 - 50,000,000 units (100% of Class B)).

Included in professional fees is \$500 (2018 - \$500) charged by Gross Adminco Inc., a company related by virtue of being under common control of the General Partner. Included in accounts receivable is \$425 (2018 - \$425) from Gross Adminco Inc. Property management fees of \$5,839 (2018 - \$5,839) were charged by a company related by virtue of being under common control of the general partner. Participation fees of \$Nil (2018 - \$Nil) were charged by a company related by virtue of being controlled by a Director of the General Partner. Loan interest of \$16,979 (2018 - \$10,345) was charged on cotenancy loans owed to the companies controlled by Trustee of the Trust (note 8). The transactions are in the normal course of operations.

14. CO-TENANCY OPERATIONS

The following amounts included in these financial statements represent the Partnership's 12.5% proportionate interest in the King Oshawa Medical Co-Tenancy and the 5.8857% proportionate interest in the Victoria Clinic Co-tenancy.

	2019	2018
Assets Liabilities Revenues and other income Expenses Net income	\$ 5,123,139 \$ 3,566,022 \$ 642,686 \$ 613,142 \$ 29,544	\$ 5,325,706 \$ 3,622,335 \$ 637,478 \$ 520,825 \$ 116,653
Cash provided by (used in) Operating activities Investing activities Financing activities	\$ 269,190 \$ - \$ (85,616)	\$ 223,713 \$ - \$ (47,666)

The Partnership includes in its financial statements, the proportionate share of the assets, liabilities, revenues and expenses of the King Oshawa Co-Tenancy from the date of acquisition on June 30, 2015 and the Victoria Avenue Co-Tenancy from acquisitions in 2015, 2016 and 2017. Included in assets and expenses above is a \$90,000 impairment charge against the Victoria Avenue Co-Tenancy (note 5).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

IFRS 7 requires that the Partnership disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at each financial position reporting date based on relevant market information about the financial instrument.

Financial assets and liabilities recorded at fair value in the Partnership's statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Hierarchical levels, defined by IFRS 13 and directly related to the amount of subjectivity associated with inputs to fair valuation of these financial assets and liabilities, are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Partnership's management determined that no financial assets are carried at fair value.

The Partnership's financial instruments consist of cash, accounts receivable, due to/from related parties, accounts payable and accrued liabilities, and long-term debt. Unless otherwise noted, it is management's opinion that the Partnership is not exposed to significant market, interest, currency and liquidity risks arising from these financial instruments except as noted below. The fair value of these financial instruments approximate their carrying value unless otherwise noted.

i) Market price risk

Market price risk, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

ii) Interest rate risk

The Partnership has deposits in financial institutions. The Partnership is exposed to reductions in interest rates, which could impact expected current and future returns. As at December 31, 2019, the amount of \$19,130 (2018 - \$33,186) was held in deposits with financial institutions.

<u>2019</u>				
Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest bearing	Total
Amortized cost	\$ 19,130	\$	\$ 31,917	\$ 51,047
Financial liabilities				
Amortized cost	\$	\$ 3,483,949	<u>\$ 593,640</u>	\$ 4,077,589
2018			Nian internal	
Financial assets	Floating Rate	Fixed Rate	Non-interest bearing	Total
Amortized cost	\$ 33,186	<u> </u>	\$ 37,273	\$ 70,459
Financial liabilities				
Amortized cost	<u>s -</u>	\$ 3,571,982	\$ 549,052	<u>\$ 4,121,034</u>

iii) Currency risk

Currency risk is the risk to the Partnership's earnings that arises from volatility in foreign exchange rates. This may have an adverse effect on the value of future revenues and assets denominated in currencies other than the Canadian dollar, absent any changes in market or investment specific event.

The Partnership did not maintain any material balances in foreign currencies as at December 31, 2019 and December 31, 2018.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued...)

iv) Liquidity risk

Liquidity risk is the risk that the Partnership will not have sufficient debt and partners' capital available to fund its growth and refinance its debts as they mature. The Partnership's financial condition and results of operations would be adversely affected if it were unable to obtain financing, or obtain cost effective financing. The Partnership manages liquidity risk by seeking new investors and by monitoring its debt situation. (see note 1(b))

2019

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Amortized cost	<u>\$ 51,047</u>	<u>s -</u>	<u>s -</u>	\$	<u>\$</u>	<u>\$ 51,047</u>
Financial liabilities						
Other financial liabilities	\$ 869,809	\$ 280,279	\$2,927,501	3 -	<u>\$</u>	\$ 4,077,589
2018						
Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Amortized cost	<u>\$ 70,459</u>	<u>s</u> -	<u>\$</u>	<u>\$</u>	<u>s -</u>	\$ 70,459
Financial liabilities						
Other financial liabilities	\$2,838,410	\$ 74,732	\$ 80,893	\$1,126,999	<u>s -</u>	\$ 4,121,034

v) Economic dependence

As at December 31, 2019, one co-tenancy accounted for 67% (2018 – 66%) of revenues from operations.

16. CAPITAL MANAGEMENT

The Partnership's capital management policy is to maintain a strong capital base that optimizes the Partnership's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its partners. The Partnership intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Partnership's early stage of development and the requirement to sustain future development of the business.

The Partnership will manage its capital structure and make changes to it in light of changes to economic conditions and the risk characteristics of the nature of the business. The Partnership considers its capital structure to include partners' capital, long term debt and working capital. In order to maintain or adjust the capital structure, the Partnership may from time to time issue units, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Partnership monitors capital based on its current working capital, projected cash flow from operations and anticipated capital expenditures.

The Partnership is not subject to externally imposed capital requirements.

17. KEY MANAGEMENT COMPENSATION

Total direct and indirect compensation, including benefits to employees with responsibilities for strategic planning, oversight and control of the Partnership amounted to \$Nil (2018 - \$Nil).

18. SUBSEQUENT EVENT

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Partnership's business activities. The extent to which the coronavirus may impact the Partnership's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Partnership cannot determine their financial impact at this time.

IN THE MATTER OF THE BANKRUPTCY OF GROSS CAPITAL INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) [IN BANKRUPTCY AND INSOLVENCY]

Proceeding commenced at TORONTO

AFFIDAVIT OF MARK GROSS (AFFIRMED JANUARY 10, 2023)

Tyr LLP

488 Wellington Street West

Suite 300-302

Toronto, ON M5V 1E3

Fax: 416-987-2370

Jason Wadden (LSO# 46757M)

Tel: 416.627.9815 Email: jwadden@tyrllp.com

Joie Chow (LSO# 84175F)

Tel: 437.224.0542

Email: jchow@tyrllp.com

Lawyers for Mark Gross

IN THE MATTER OF THE BANKRUPTCY OF GROSS CAPITAL INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

[IN BANKRUPTCY AND INSOLVENCY] SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) ONTARIO

Proceeding commenced at TORONTO

RESPONDING AND CROSS MOTION RECORD OF MARK GROSS

Tyr LLP

488 Wellington Street West

Suite 300-302

Toronto, ON M5V 1E3

Fax: 416.987.2370

Jason Wadden (LSO# 46757M) Tel: 416.627.9815

Joie Chow (LSO# 84175F) Tel: 437.224.0542

Email: jwadden@tyrllp.com

Email: jchow@tyrllp.com

Lawyers for Mark Gross