Court File No. CV-16-11549-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **URBANCORP (WOODBINE) INC. AND URBANCORP (BRIDLEPATH) INC., THE TOWNHOUSES OF HOGG'S HOLLOW INC., KING TOWNS INC., NEWTOWNS AT KINGTOWNS INC. AND DEAJA PARTNER (BAY) INC.** (Collectively, the "Applicants)

AND IN THE MATTER OF **TCC/URBANCORP (BAY) LIMITED PARTNERSHIP**

AFFIDAVIT OF M. LILLY IANNACITO
(SWORN APRIL 10, 2018)

I, M. Lilly Iannacito, of the Town of Newmarket, in the Regional Municipality of York, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a law clerk with the law firm of Lax O'Sullivan Lisus Gottlieb LLP, the lawyers for DS (Bay) Holdings Inc. ("DS Bay"), and as such, have knowledge of the matters contained in this affidavit. Where I have relied on other sources of information, I have specifically referred to such sources and believe them to be true.

2. Attached as Exhibit "A" is a copy of an English translation of the amended prospectus dated December 7, 2015, a copy of which was attached as Exhibit "A" to the affidavit of Mr. Gissin sworn on May 16, 2016.

3. I am informed by Tamar Yosef, a lawyer at Goldfarb Seligman, Israeli counsel for Doreen Saskin, that in June 2017, Guy Gissin, in his capacity as functionary of Urbancorp Inc., commenced a claim (the "Israeli Claim") against Alan Saskin, TCC/Urbancorp Bay Stadium LP, The Webster Trust, Urbancorp Management Inc., Urbancorp Holdco Inc., the Fuller Landau Group (in its capacity as proposal trustee for Alan Saskin) and Doreen Saskin. Attached as Exhibit "B" is a copy of an English translation of the Israeli Claim.

4. I am informed by Ms. Yosef that in November 2017, Doreen Saskin brought a motion to have the Israeli Claim dismissed as against her on the basis that the Israeli Court should not have granted Mr. Gissin leave to serve Ms. Saskin with the claim outside of Israel. Attached as Exhibit "C" is a copy of an English translation of Doreen Saskin's Motion to Vacate Leave to Effect Service Outside Israel.

5. I am informed by Ms. Yosef that Mr. Gissin, through his Israeli counsel, and after getting Ms. Saskin's consent, delivered numerous motions for extensions to the deadline by which Mr. Gissin was required to deliver his response to Ms. Saskin's motion. Ms. Yosef informs me that in these motions, Mr. Gissin claimed that he needed the extensions due to the workload in his office.

6. I am informed by Ms. Yosef that on March 20, 2018, without first requesting another consent from Ms. Saskin, Mr. Gissin delivered a motion in Israel for an extension to the filing deadline to respond to Ms. Saskin's motion to a date after Ms. Saskin filed her objection to Mr. Gissin's motion in Ontario to approve the settlement concerning TCC/Urbancorp Bay Limited

Partnership, and in any event no later than May 10, 2018. An English translation of Mr. Gissin's motion is attached as Exhibit "D".

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario on April 10, 2018

Commissioner for Taking Affidavits
(or as may be)

Andrew Winton

M. Lilly Iannacito

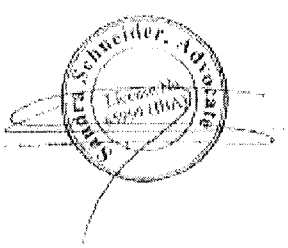
This is Exhibit "A" referred to in the Affidavit of M. Lilly Iannacito sworn April 10, 2018

Commissioner for Taking Affidavits (or as may be)

ANDREW WINTON

This is Exhibit "A" referred to in the Affidavit of Guy Gissin
sworn May 16, 2016

A Commissioner for Taking Affidavits



Supplementary Prospectus dated November 30, 2015, as amended on December 7, 2015

The offered securities offered herby have not been, and will not be, qualified for distribution in Ontario or any other jurisdiction of Canada and may not be offered, sold, or delivered directly or indirectly in Ontario or any other jurisdiction of Canada or to residents of Ontario or Canada. No advertisement, solicitation or negotiation directly or indirectly in furtherance of any sales of the offered securities described in this prospectus has occurred or will occur in Canada. By purchasing the offered securities described in this prospectus, each purchaser represents and warrants to the company that such purchaser is not a resident of Canada and that such purchaser does not have any intention to distribute such offered securities in Canada or hold such offered securities for the benefit of residents of Canada.

Urbancorp Inc.
A company incorporated under the laws of Ontario, Canada
("the Company")

Prospectus for supplement
of

NIS 200,000,000 par value Debentures (Series A) (hereinafter: "the **debentures (Series A)**" or "the **offered securities**").

For a description of the offered securities - see section 2.2 of the prospectus.

For details of the offering and manner of offering of the offered securities - see section 2.1 of the prospectus.

NIS 200,000,000 par value debentures (Series A) (hereinafter: "**the offered quantity**") are offered to the public by way of a uniform offering, at par value in 200,000 units, consisting of and priced as follows:

1,000 debentures (Series A)	at a price of NIS 1 per debenture (Series A)
Total price per unit	**NIS 1,000**

The debentures (Series A) are offered to the public by way of an auction to determine the annual interest rate for the debentures (Series A). The annual interest rate to be determined in the auction shall not exceed 8.15% per annum or any other rate determined by the supplementary notice. The tender will be open on the date and the time to be determined by the supplementary notice.

The supplementary notice shall be published not earlier than five business days from the date of publication of the prospectus. A supplementary notice was published, the period for submitting orders to purchase securities offered under this Prospectus will end not earlier than the end of seven hours, of which at least least five (5) trading hours, from the publication of the supplementary notice, and no later than 45 days from the publication of the supplementary prospecuts.

Supplementary Prospectus dated November 30, 2015, as amended on December 7, 2015

This offering is the initial public offering of securities of the Company.

The Company intends to call with classified investors in a prior agreement, according to which the classified investors will submit orders to purchase units in the tender in quanties and prices which will be published as part of the supplementary notice, as described in section 2.4.7 of the Prospectus.

The controlling shareholder has undertaken to delimit the operations of the Company. For details see section 7.1.5 of the prospectus.

Companies related to the controlling shareholder provide management services to the Company and the corporations it holds – for details see Chapter 9 to the prospectus.

The debentures (Series A) are rated A3 by Midroog. For details, see Appendix 2 to Chapter 2 of the prospectus.

The auditors drew attention to Note 4 proforma financial information regarding the adjustment by way of restatement of financial information as of June 30, 2015 and for the six and three month periods ended then in order to retroactively reflect the effect of correcting the error in the calculation of the construction costs and selling expenses costs in respect of projects for the sale of apartments built by the Company.

To secure the full and accurate fulfillment of all Company obligations pursuant to the terms and conditions of Debentures (Series A), including to secure the full and accurate payment of all the principal and interest payments to be paid by the Company to the holders of Debentures (Series A); the Company will create the liens specified below: (1) A fixed, exclusive first lien, unlimited in amount, on the Dedicated Account, as defined in section 6.1.14 of the Deed of Trust (hereinafter: the "Dedicated Account) as specified above and set forth in section 6.4 of the Deed of Trust; (2) A fixed, exclusive first lien, unlimited in amount, of the full rights of the Company, under the Owners Loans, as defined in section 6.1.15 of the Deed of Trust, for as long as the Owners Loans have not been repaid by the Subsidiaries (as defined in section 6.1.6 of the Deed of Trust). For details regarding the terms of the Owners Loans, including the repayment terms, see section 6.5 of the Deed of Trust. For further details, see section 6 of the Deed of Trust.

It should be noted that the undertaking by the Company and by the Subsidiaries to transfer funds into the Dedicated Account is a contractual obligation without any collateral and without any priority vis-a-vis third parties and this is not secured by any effective and/or legal arrangement whereby the Trustee can ensure the implementation of this undertaking in advance. It should be noted that the revenue from the sale of housing units which will be deposited with the Canadian Legal Counsel and/or the Surplus amounts which will be held by Mattamy (as defined in the Deed of Trust), as applicable, are not pledged in favor of the Trustee and it is therefore possible that third parties will claim rights to the deposited amounts in the account or the amounts to be deposited in the account. In addition, the said undertaking is not protected from the pledge and/or offset and/or lien rights granted to the financing bank with respect to the liabilities of the Subsidiaries thereto in connection with the Backup Projects (as defined in the Deed of Trust, hereinafter: the "**Backup Projects**") and/or from third-party rights, including attachments.

In the event that the Company and/or the Subsidiaries and/or the Canadian Legal Counsel and/or Mattamy fail to comply with their undertakings to transfer funds to the Dedicated Account, the Trustee will not be able to prevent this breach of undertaking in advance, except for taking the steps

available to the Trustee by law or pursuant to the Deed of Trust, in order to retroactively compel the Company and the Subsidiaries to comply with their undertakings.
For the removal of doubt, it should be clarified that the Trustee has no interest and/or ability to control and/or influence the management of the Backup Project and/or the Downsview Project budgets, including changes to the budgets of the projects and/or withdrawal of funds from the revenue of the Backup Projects.

For information about restrictions assumed by the Company with regard to dividend distribution, see section 5.5 of the trust deed.

The Company plans to use the proceeds of the offering to repay loans provided by lenders, which, among others, are secured by the controlling shareholder's personal guarantees.

For details regarding the possible prepayment of the debentures (Series A), see section 7 of the trust deed.

The debentures (Series A) offered to the public by way of an uniform offer, as stated in Part B Offering Method Regulations. After the publication of this Prospectus, the Company will publish a supplementary notice within which the details of the Prospectus will be completed and / or updated, in accordance with Article 16 (1a) (2) of the Securities Act, 1968 and the Securities Regulations (Supplemental Notice and Draft Prospectus), 2007 (hereinafter: "**Supplemental Notice Regulations**"), Under which completed the missing details in the prospectus and / or updated, pursuant to the Supplemental Notice Regulations, including details regarding early agreements with classified investors and changes, if any, in the amount and the terms of the securities being offered under this Prospectus. The tender of the interest rate shall be held no later than 45 days from the date of publication of the supplementary prospectus. For additional information about the Supplemental Notice, see section 2.4.9 of the Prospectus.
With publishing, the supplementary notice will become an integral part of this prospectus.

The following are, in the management's opinion, risks factors associated with the operations of the Company, as of the date of the prospectus: (1) Macro-economic risks which includes: interest risk, economic slow-down in Canada and availability and cost of borrowing; (2) Sector-specific risk which includes: Collapse of the real estate market in Toronto, Canada, Cost of contractors, Liquidity risk and Operating cost and expenses for rental properties; and (3) Company-specific risks which includes - dependence on key person, Property and liability risk, Exchange rate risks, Construction risks and Geothermal risks (hereinafter – "**the Risks Factors**"). For details regarding the Risk Factors and their impact on the corporation's business in general, in accordance with the Company's assessments, see section 7.17 of the prospectus.

Since the Company's establishment and until the date of publication of the prospectus, the Company did not have any operations. As of this date, Mr. Alan Saskin (through a fully controlled corporation) holds 100 common shares of the Company representing 100% of the issued and paid-

up capital of the Company (hereinafter: the "**Company's Capital**") and the voting rights therein (hereinafter: the "**Controlling Shareholder**"). The controlling shareholder and his family (hereinafter jointly – "**the Interest Holders**") shall transfer to the Company, prior to the listing of the debentures (Series A), which are offered to the public under this Prospectus, their interests (including indirectly through Canadian corporation wholly owned and controlled by him) in five corporations, which indirectly hold interests in investment properties and income-producing properties in Toronto, Ontario, Canada, against the issue of Company's special class shares to a corporation held by the Interest Holders and fully controlled by Saskin (hereinafter – "**the Transferred Interests**"). It is noted that the transfer of the Transferred Interests is not conditional on any suspensive conditions and is subject to the success of the public offering. For details on the holdings of Interest Holders after the transfer of the Transferred Interests to the Company, see section 3.3.2 of the Prospectus. It is noted that the Controlling Shareholder has not given and has not undertaken to give the Company any indemnification with respect to the Transferred Interests and/or the Transferred Companies.

The listing of the Debentures (Series A) is conditional on compliance with the provisions of the TASE Rules and Regulations as set forth below and publishing an immediate report regarding the confirmation by the Company's legal counsels in Canada that the Transferred Interests have been transferred to the Company (hereinafter – the "**Confirmation by the Legal Counsels in Canada**"), all in accordance with the following provisions: (1) according to the TASE' directives, the minimum distribution of public holdings for the listing of the debentures (Series A) is 35 holders, each holding a minimum value of securities of NIS 200,000 (for these purposes, a "**holder**" shall be deemed - a holder whose holdings exceed the minimum mandatory value per holder; or a holder with others, whose joint holdings exceed the minimum value per holder); (2) the value of the public's holdings in the debentures (Series A) after the listing thereof shall not be less than NIS 36 million.

If it turns out that the TASE's requirements as set forth in sections (1) and (2) above have not been met, or the confirmation of the legal counsels in Canada has not been given and no immediate report was published regarding the receipt of such approve, the offering of the debentures (Series A) shall be cancelled, the debentures will not be listed on the TASE, no money will be collected from the bidders, the securities will not be allocated to the bidders and the Company shall make an immediate report to that effect.

The Company was established and incorporated in Ontario, Canada on June 19, 2015 in accordance with the Ontario Business Corporation Act.

The Company is bound by the provisions of the Securities Law, 1968 (hereinafter – "the Securities Law") and the regulations thereunder, which apply to company incorporated outside Israel and which are traded on the Tel Aviv Stock Exchange. The Company shall report in accordance with the relevant reporting regulation pursuant to the Securities Law and its regulations, as long as the public holds securities of the Company offered under this Prospectus.

Since the Company's non-convertible debentures are offered to the public in Israel under this Prospectus, and will be listed for trading on the stock exchange in accordance with the Israeli law, the Company shall be subject, as aforesaid, to the provisions of Section 39A of the Securities Law

and consequently, shall be subject to different provisions of the Companies Law (including provisions regarding appointment of outside directors, an internal auditor, an audit committee and controlling shareholder transactions pursuant to section 270(4A) of the Companies Law and these provisions shall apply in addition to the provisions of the Company's incorporation documents[1] and the laws of the Province of Ontario, Canada.

Further to the foregoing, it is noted that with regard to insolvency and dissolution laws, including asset dispositions, the Company shall only be bound by the laws of the Province of Ontario, Canada.

Notwithstanding the foregoing, note that the Deed of Trust and appendices thereof, including the debentures, are subject to Israeli law[2]. On any matter not listed on the Deed of Trust and in any case of contradiction between statutory provisions and the Deed of Trust - the parties shall act in conformity with provisions of Israeli law. The sole court of law authorized to hear cases related to the Deed of Trust and appendices thereof, including the debenture enclosed as appendix - is the competent Court of Law in Tel Aviv Jaffa.

For information about irrevocable written undertakings by the Company, the Controlling Shareholder and officers of the Company, as they are at present and as they shall be from time to time, not to object to any request by the Trustee and/or the debenture holders (Series A) that may be filed with a Court of Law in Israel to apply the Israeli law with regard to any settlement, arrangement and insolvency, if filed, not to object if a Court of Law in Israel seeks to apply the Israeli law with regard to any settlement, arrangement and insolvency and not to make any claims against the local authority of Israeli Courts with regard to proceedings instituted by the Trustee and/or holders of Company debentures (Series A) – see section 1.1 of the prospectus.

For the avoidance of doubt, it is clarified and noted that the undertakings by the Controlling Shareholder and officers of the Company will explicitly include an irrevocable undertaking not to initiate bankruptcy proceedings under foreign law and in a jurisdiction that is not Israel.

Given the foregoing and subject to the fulfillment of obligations by the Controlling Shareholder and officers, it is noted that any insolvency proceeding, other than in conformity with the Israeli law in an Israeli court, can only arise from claims by foreign creditors.

In accordance with the opinion by the law firm of Harris Sheaffer LLP from Ontario, Canada[3] (the Company's place of incorporation), the Company's Articles of Association do not limit nor prohibit the offering of the securities offered in this prospectus to the public in Israel. For additional details on the Company and the Company's incorporation documents, see also the opinion of the Harris Sheaffer LLP law firm on this matter and its translation into Hebrew, which is attached to Chapter 11 of the prospectus.

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[1] The Company's articles of association include the same sections that apply to the Company by virtue of Section 39A of the Securities Law.

[2] In this regard, see sections 33 and 34 of the Trust Deed between the Company and the Trustee for the debenture holders (Series A), enclosed as Appendix 1 to Chapter 2 below.

[3] Note that this letter does not constitute an opinion by legal counsel with regard to Section 17(b)(3) of the Securities Act.

Supplementary Prospectus dated November 30, 2015, as amended on December 7, 2015

For information about the tax implications with regard to investment in the securities offered under this prospectus due, *inter alia*, to the application of the Ontario tax laws and the application of the Israeli tax laws - see sections 2.7 and 7.12 of the prospectus.

The Company has furnished the TASE with an opinion by the Canadian law firm of Mclean & Kerr LLP (hereinafter – "**the Opinion**"), wherein it is opined that any "distribution" or "trade" as such terms are defined in the securities law of Ontario (hereinafter – "**the Ontario Securities Law**") by a company incorporated under the laws of Ontario, whose registered office is located in Ontario, may be deemed as a distribution of securities in Ontario, which requires compliance with provisions relating to prospectuses under the Ontario Securities Law, or which is exempt therefrom. However, the Ontario Securities Commission (hereinafter – "**the Commission**"), in Interpretation Comment No. 1, O.S.C.B. 226 (1983) regarding "the distribution of securities outside Ontario" (hereinafter – "**the Interpretation Comment**") published its positions regarding the application of the Ontario Securities Law on the distribution of securities outside Ontario. The Commission's position with regard to the distribution of securities outside Ontario is that there is no need for a prospectus pursuant to the Ontario Securities Law and there is no need for an exemption from prospectus requirements under the Ontario Securities Law, when reasonable actions are taken by the issuer, the underwriter or other participants making distributions, in order to ensure that these securities come to rest outside Ontario.
In addition, the Interpretation Comment proposes several restrictions to be implemented and precautions to be taken with regard to the distribution of securities outside Ontario in order to ensure that these securities come to rest outside Ontario. For details see chapter 1 of the prospectus.

In accordance with the Opinion, subject to the provisions of chapter 1 of the prospectus, random transactions on the secondary market of the Tel Aviv Stock Exchange by Ontario residents, are not prohibited by the Ontario Securities Law, but remain subject to the Commission's ability to assert jurisdiction if such is considered to be in the public interest (see chapter 1 of the prospectus).

Anyone purchasing the securities offered pursuant to this Prospectus shall be deemed to have declared that they are Israeli residents, that they are not Canadian residents, they have no intention of distributing the securities offered under the Prospectus in Canada, they did not purchase said securities for a Canadian Citizen and/or for any person located in Canada, and that they did not reside in Canada when filing an application to purchase said securities.

The competent authorities in Canada have not expressed an opinion in connection with the issuance of the securities offered under the Prospectus and it is an offence, pursuant to the Canadian Law, to claim otherwise.

No person is authorized to engage in the selling and/or distribution, directly or indirectly, of the securities offered under this Prospectus in Canada. No action and/or advertisement and/or negotiations have been carried out nor shall they be carried out in Canada, by the distributors or

underwriters, directly or indirectly, for the purpose of promoting, selling, marketing or distribution of the securities offered under this prospectus.

This Prospectus was not submitted to the securities authority in Canada, and the securities offered under this Prospectus are not offered to residents outside Israel and shall not be authorized for distribution in Ontario, Canada or anywhere else in Canada's jurisdiction. Note that it is prohibited to offer and/or sell the securities offered under this Prospectus in Ontario or anywhere else in Canada's jurisdiction.

This Prospectus shall not constitute an offering of securities in any country other than the State of Israel

The Israeli Securities Authority's permit to publish the Prospectus does not constitute verification of the details contained therein or assurance of the reliability and integrity thereof, and does not express an opinion regarding the nature of the offered securities.

Readers of this Prospectus are advised that this prospectus and the offering of securities pursuant thereto, the purchase of securities pursuant thereto and any matter arising from and/or related to this prospectus, shall only be subject to the laws of the State of Israel and shall not be bound by any other laws. Sole jurisdiction on any matter relating to this prospectus and the offering of securities thereunder lies exclusively with the competent courts in Israel, and the buyers of securities offered under this prospectus in purchasing said securities, accept the laws of the state of Israel as the sole governing jurisdiction and choice of legal system.

Total expenses related to the issuance of securities offered pursuant to this Prospectus will be listed as part of the supplementary notice.

The trustee for debentures (Series A): Reznik, Paz, Nevo Trustees Ltd. (hereinafter: "the **Trustee**"). For information about legal proceedings conducted against the Trustee with regard to discharging of their responsibilities, see section 2.8.12.1 of the prospectus.

Pricing Underwriter: Apax Issuances Ltd. The issuance of debentures (Series A) pursuant to this prospectus is not guaranteed by underwriting. However, Apax Issuances Ltd. has served as the pricing underwriter (as defined in Section 1 of the Securities Act, 1968) for the offering made under this prospectus, which is involved in determining the structure of the offering, has signed drafts of this prospectus which were published and is therefore obliged to sign the prospectus[4].

Prospectus date: November 30, 2015

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[4] To the date of the prospectus, the Company didn't signed an underwriting agreement. Details regarding an underwriting agreement, if it will be signed, will be specified in the supplemental notice.

Urbancorp Inc.

A company incorporated under the laws of Ontario, Canada

(In this Prospectus – "the Company")

Chapter 1 – Introduction

1.1 General

The Company was established and incorporated in Ontario, Canada, on June 19, 2015, in accordance with the provisions of the Ontario Business Corporation Act, R.S.O. 1990.

The Company is bound by the provisions of the Securities Law, 1968 (hereinafter – "**the Securities Law**") and the regulations thereunder, which apply to company incorporated outside Israel and which are traded on the Tel Aviv Stock Exchange. The Company shall report in accordance with the relevant reporting regulation pursuant to the Securities Law and its regulations, as long as the public holds the Company's securities which are offered under this Prospectus.

Pursuant to section 39A(A) of the Securities Law[1], the provisions of the Companies Law, 1999 (hereinafter – "**the Companies Law**") and regulations under the Securities Law shall apply to a company incorporated outside Israel, which offers its shares or debentures to the public in Israel, all in accordance with the provisions of the Fourth Schedule to the Securities Law.

Since the Company's non-convertible debentures are offered to the public in Israel under this Prospectus, and will be listed for trading on the stock exchange in accordance with the Israeli law, the Company shall be subject, as aforesaid, to the provisions of Section 39A of the Securities Law and consequently, shall be subject to different provisions of the Companies Law (including provisions regarding appointment of outside directors, an internal auditor, an audit committee and contrlling shareholder transactions pursuant to section 270(4A) of the Companies Law and these provisions

[1] As amended under Amendment No. 50 to the Securities Law (8.8.2012), page 678). Law Proposal – Government 628, 2012, page 92.

shall apply in addition to the provisions of the Company's incoporation documents[2] and the laws of the Province of Ontario, Canada.

Following the aforesaid, it is noted that with regard to insolvency and dissolution laws, including asset dispositions, the Company shall only be bound by the laws of the Province of Ontario, Canada.

Notwithstanding the foregoing, it is noted that the trust deed and its appendices, including the debentures, are subject to the provisions of the Israeli Law[3]. In any matter not mentioned in the trust deed and in any case of a conflict between statutory provisions and the provisions of the trust deed, the parties shall act in accordance with the provisions of the Israeli law.[4] The only court of law authorized to hear cases related to the trust deed with its appendices and the debenture attached as an appendix, shall be the competent court of Tel-Aviv-Jaffa.

Notwithstanding the foregoing, regarding the application of the laws of Ontario, Canada, with respect to insolvency and dissolution, including asset dispositions, the Company, the controlling shareholder and officers of the Company, as they are at present and as they shall be from time to time, shall not oppose any request by the trustee and/or the debenture holders (Series A), which may be filed with an Israeli court, to apply the Israeli law with regard to settlement, arrangement and insolvency, as they relate to the Company.

In addition, the Company, the controlling shareholder and officers of the Company irrevocably undertake not to contest the authority of an Israeli court of law in connection with proceedings filed by the trustee and/or the debenture holders of the Company, as aforesaid.

Further to the aforesaid, the Company undertakes to furnish to the trustee, soon after the offering, irrevocable written undertakings by the controlling shareholder of the Company and by all the incumbent officers of the Company on the date of signing the trust deed and soon after the appointment of additional officers in the Company and/or any change in the controlling shareholder of the Company, as the case may be (hereinafter –"the undertakings of the controlling shareholder

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[2] **The Company's articles of association includes the same sections that apply to the Company by virtue of Section 39A of the Securities Law. It is noted that none of the provisions in the articles of association conflict with a cogent law in the Province of Ontario, Canada.**

[3] In this regard, refer to sections 33 and 34 of the trust deed between the Company and the trustee of the debentures (Series A), which is attached as Appendix 1 of Chpater 2 below.

[4] It is clarified that as of the date of the Prospectus there is no contradiction between the provisions of Israeli law to the provisions of the Trust Deed and there is no contradiction between the provisions pertaining to the bonds described in the prospectus and trust deed and its accompanying documents.

and the officers"), not to object to any request by the trustee and/or the debenture holders (Series A), which may be filed with an Israeli court, if filed, to apply the Israeli law with regard to a settlement, arrangement and insolvency of the Company, not to apply to a court outside Israel, at their own initiative, in order to receive protection against proceedings initiated by the trustee and/or the debenture holders (Series A) of the Company, not to object if an Israeli court seeks to apply the Israeli law with regard to settlement, arrangement and insolvency of the Company and the subsidiary and not to contest the authority of an Israeli court of law in connection with proceedings brought by the trustee and/or the debenture holders (Series A) of the Company.

To remove any doubt, it is clarified and noted that the undertakings of the controlling shareholder and officers shall explicitly include an irrevocable undertaking not to institute insolvency proceedings under foreign law and in a jurisdiction other than Israel.

In view of the foregoing and subject to the fulfillment of undertakings by the controlling shareholder and offcers of the Company, it is emphasized and clasified that insolvency proceedings, other than in conformity with the Israeli law and in Israeli court, can only arise from claims by foreign creditors.

The undertakings of the controlling shareholder and officers shall be attached to the immediate report regarding an appointment of an officer or a change of control in the Company (as the case may be), which the Company shall publish in accordance with the provisions of the Israeli law, which the Company shall publish in accordance with the provisions of Israeli law as part of the pre-issuance reports and on the appointment of any officer and/or the entry of a new controlling shareholder, all during the life-term the Debentures (Series A).

The Company, controlling shareholders and officers of the Company, present or future, irrevocably undertake and will irrevocably (as applicable) undertake not to raise claims against the application, validity or manner of implementation of Section 39A of the Securities Law as stated.

1.2 **Permits and certifications**

The Company has obtained all the permits, certifications and licenses which are required under any law, for the offering and issue of securities under this Prospectus, and the publication of the Prospectus.

*

The Securities Authority's permit to publish the Prospectus does not constitute verification of the details contained therein or assurance of the reliability and integrity thereof, and does not express an opinion regarding the nature of the offered securities.

*

The Tel Aviv Stock Exchange ("**TASE**") has given its principal approval for the listing of the securities offered to the public under this Prospectus (hereinafter: "**TASE Approval for Supplementary Prospectus**").

The listing of the offered securities is conditional on a minimum mandatory free float in debentures (Series A) as set forth in subsection 2.3.1.1 below, on a minimum mandatory value of public holdings in the debentures (Series A) as set forth in subsection 2.3.1.2 below and publication of an immediate report regarding the confirmation from the Company's legal counsels in Canada, that the transferred interests (as they are defined in section 1.4.2 below) have been transferred to the Company (hereinafter – "**Confirmation by the Legal Counsels in Canada**"), all as set forth in subsection 2.3 below[5]. Since the debentures (Series A) totalling up to NIS 200 million par value are rated A3 by Midroog, the Company is not required to meet the criteria for shareholders equity. The Company shall publish an immediate report immediately after receiving Confirmation by the Legal Counsels in Canada.

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The Securities Authority's permit to publish the Supplementary Prospectus does not constitute verification of the details contained therein or assurance of the reliability and integrity thereof, and does not express an opinion regarding the nature of the securities offered under the Supplementary Prospectus or the price at which they are offered.

[5] It is clarified that if the requirement for a minimum free float in the debentures (Series A) or the requirement for a minimum value of public holdings in the debentures (Series A), or the Approval of the Legal Counsels in Canada has not been give and an immediate report regarding such approval was published, the offering shall be cancelled.

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The approval of the Stock Exchange for the listing of the securities offered to the public under this supplementary prospectus, as provided in section 2.4.9 of the Prospectus, will be provided prior to the publication of a supplementary notice with respect to the issue under this prospectus, as specified in section 2.4.9 of the Prospectus.

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In accordance with the opinion by the law firm of Harris Sheaffer LLP from Ontario, Canada[6] (the place of incorporation of the Company), the Company's Articles of Association do not limit nor prohibit the offering of the securities offered in this prospectus to the public in Israel and there is no prevention to list them for trading on TASE, and all subject to section 1.3.3 below. It is noted that the Company may not issue securities to the public in Canada without holding the license required by the law of the Province of Ontario, Canada. For additional details on the Company and the Company's incorporation documents, see also the opinion of the Harris Sheaffer LLP law firm on this matter and its translation into Hebrew, which is attached to Chapter 11 below.

The Company is a "Foreign Issuer" as the term is defined in the Securities Regulations (Annual Financial Statements), 2010 (hereinafter – "**Financial Statements Regulations**") and is therefore subject to the provisions of Regulation 5 of the Financial Statements Regulations, including with respect to the auditor, the launguage of the Company's financial statements and the auditor's opinion.

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Anyone purchasing the securities offered pursuant to this Prospectus shall be deemed to have declared that they are Israeli residents, that they are not Canadian residents, they have no intention of distributing the securities offered under the Prospectus in Canada, they did not purchase said securities for a Canadian Citizen and/or for any person located in Canada, and that they did not reside in Canada when filing the application to purchase said securities.

This prospectus and the offering of securities pursuant thereto, the purchase thereof and any matter arising from and/or related to this Prospectus, and the offering of securities pursuant thereto and the purchase thereof, shall only be subject to laws of the State of Israel and shall not be bound by any other laws; the sole jurisdiction on any matter relating to this Prospectus and the offering of

[6] Note that this letter does not constitute an opinion by legal counsel with regard to Section 17(b)(3) of the Securities Act.

securities thereunder lies exclusively with the competent courts in Israel, and they only, and the buyers of the securities offered pursuant to this Prospectus, in their consent to purchase said securities - accept this sole jurisdiction and choice of legal system.

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1.3 Restrictions under securities laws in Canada

1.3.1 General

1.3.1.1 The Company has furnished the TASE with an opinion by Mclean & Kerr LLP law firm from Ontario, Canada (hereinafter – "the Opinion"), wherein it is opined that any "distribution" or "trade" as such terms are defined under the Securities Act (Ontario) (the "Act") by a company incorporated under the laws of Ontario or whose head office is situate in Ontario (an "Ontario issuer") may be considered a distribution of securities in Ontario requiring compliance with the prospectus provisions of the Act or an exemption therefrom. However, the Ontario Securities Commission (the "Commission") in its Interpretation Note 1, (1983) O.S.C.B. 226 on "Distributions of Securities Outside Ontario" (the "Interpretation Note"), has made known its views on the application of the Act to distributions of securities outside of Ontario. The position of the Commission taken with respect to distribution of securities outside of Ontario is that a prospectus is not required under the Act nor is an exemption from the prospectus requirements of the Act necessary where a distribution of securities is effected outside of Ontario by an Ontario issuer and where reasonable steps are taken by the issuer, underwriter or other participants effecting such distribution to ensure that such securities come to rest outside of Ontario.

1.3.1.2 In addition, the Interpretation Comment proposes several restrictions to be implemented and precautions to be taken with regard to the distribution of securities outside Ontario in order to ensure that these securities come to rest outside Ontario.

Therefore, based on the recommendations of the Commission in the interpretation and based on the opinion, the Company adopted the following provisions for the distribution of the securities offered pursuant to the

Prospectus (the "Offered Securities"), in order to ensure that the securities will not be distributed in Ontario, Canada.

A. To include in the agreement of the distributor and any other participants effecting such distributions against selling the Offered Securities to any Ontario residents[7].

B. To receive a statement from the distributor and any other participants effecting such distributions that they have not, to the best of their knowledge, sold any of the Offered Securities to Ontario residents.

C. A statement provided by the distributor any other participants effecting such distributions to each bondholder confirming its understanding that the purchaser is not a resident of Ontario; and

D. To include the following paragraphs, among other precautions, in the Prospectus and any publication or the public issuance documents of the offered debentures, in English:

NO SECURITIES REGULATORY AUTHORITY HAS EXPRESSED AN OPINION ABOUT THESE OFFERED SECURITIES AND IT IS AN OFFENCE TO CLAIM OTHERWISE. THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE OFFERED SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY LAWFULLY BE OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH OFFERED SECURITIES. THE OFFERED SECURITIES OFFERED HERBY HAVE NOT BEEN, AND WILL NOT BE, QUALIFIED FOR DISTRIBUTION IN ONTARIO OR ANY OTHER JURISDICTION OF CANADA AND MAY NOT BE OFFERED, SOLD, OR DELIVERED DIRECTLY OR INDIRECTLY IN ONTARIO OR ANY OTHER JURISDICTION OF CANADA OR TO RESIDENTS OF ONTARIO OR CANADA.

NO ADVERTISEMENT, SOLICITATION OR NEGOTIATION DIRECTLY OR INDIRECTLY IN FURTHERANCE OF ANY SALES OF THE OFFERED SECURITIES DESCRIBED IN THIS PROSPECTUS HAS OCCURRED OR WILL OCCUR IN CANADA. BY PURCHASING THE OFFERED SECURITIES DESCRIBED IN THIS PROSPECTUS, EACH PURCHASER REPRESENTS AND WARRANTS TO THE COMPANY THAT SUCH PURCHASER IS NOT A RESIDENT OF CANADA AND THAT SUCH PURCHASER DOES NOT HAVE ANY INTENTION TO

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7 For that matter, the Company will announce in the supplementary notice that all distributors have pledged that any offer of securities to be performed by them or on their behalf will be done in Israel, and not to a resident of Canada.

DISTRIBUTE SUCH OFFERED SECURITIES IN CANADA OR HOLD SUCH OFFERED SECURITIES FOR THE BENEFIT OF RESIDENTS OF CANADA.

1.3.2 Clarification in relation to the securities offered in view of the restrictions imposed under Canadian law

The competent authorities in Canada have not expressed an opinion in connection with the issuance of the securities offered under the Prospectus and it is an offence, pursuant to the Canadian law, to claim otherwise.

No person is authorized to engage in the selling and/or distribution, directly or indirectly, or the securities offered under this Prospectus in Canada. No action and/or advertisement and/or negotiations have been carried out nor shall they be carried out for the purpose of promoting, selling, marketing or distribution of the securities offered under this Prospectus.

This Prospectus was not submitted to the securities authority in Canada, and the securities offered under this Prospectus are not offered to residents outside Israel and shall not be authorized for distribution in Ontario, Canada or anywhere else in Canada's jurisdiction. Note that it is prohibited to offer and/or sell the securities offered under this Prospectus in Ontario or anywhere else in Canada's jurisdiction.

This Prospectus shall not constitute an offering of securities in any country other than the State of Israel.

1.3.3 Restrictions on the sale and purchase in the secondary market

In accordance with the Opinion, subject to the following, random transactions on the secondary market of the Tel Aviv Stock Exchange, by residents of Ontario, are not prohibited by the Ontario Securities Law. The sale of securities by parties related to the Company to Ontario residents may not be consistent with the principles set out in the Interpretation Comment. In these situations, the Commission may assume authority for the proper implementation of the Ontario Securities Law, in order to prevent the holding of securities for future sale in Ontario and to otherwise protect the integrity of the Ontario capital markets. The assumption of authority by the Commission as aforesaid may lead to the issue of administrative orders, which the Company or the security holders living in Ontario may be required to comply with.

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1.4 The Company's capital

1.4.1 The Company's issued and paid up capital as of the date of publication of the Prospectus

Type of shares[8]	Registered Capital	Issued and paid-up
Ordinary shares with no par value (hereinafter – "**the Shares**")	Unrestricted	100

1.4.2 The Company's pro forma shareholders' equity as of June 30, 2015 in thousands of Canadian dollars

Shareholders investments	60,810
Capital reserve from revaluation of fixed assets, net of tax	20,656
Net profit	(8,967)
Total equity attributed to shareholders	**72,499**

Saskin, the controlling shareholder in the Company, through a fully owned susidiary, intends to provide the Company, subject to the success of the offering, an equity contribution, totaling CAD 12 million (hereinafter – "the Equity Contribution"). Following said Equity Contribution, the pro forma equity attributable to the Company's shareholders (excluding minority interests) shall increase from CAD 72.5 million as set out in the pro forma financial statements as of June 30, 2015 to CAD 84.5 million, (information which is based on the extent of the reported pro forma equity attributable to the Company's shareholdersas as of June 30, 2015). For details, see note 7 of the pro forma financial statements as of June 30, 2015.

As of this date, Mr. Alan Saskin (hereinafter – "**the Controlling Shareholder**") holds (though a fully owned corporation) 100 shares of the Company, which represent 100% of the issued and paid up capital of the Company (hereinafter – "**the Company's Capital**") and the voting rights therein.

The controlling shareholder and his family (hereinafter jointly – "**the Interest Holders**") shall transfer to the Company, prior to the listing of the debentures (Series

[8] Are not listed on the TASE.

A), which are offered to the public under this Prospectus, their interests (including indirectly through Canadian corporation wholly owned and controlled by him) in five corporations, which indirectly hold interests in investment properties and income-producing properties in Toronto, Ontario, Canada, against the issue of Company's special class shares to a corporation held by the Rights Holders and fully controlled by Saskin (hereinafter – **"the Transferred Interests"** and **"the Transferred Corporations"**, as the case may be).

It is noted that the transfer of the Transferred Interests is not conditional on any suspensive conditions and shall come into force subject to the success of the public offering.[9] For details on the holdings of Interest Holders after the transfer of the Transferred Interests to the Company, see section 3.3.2 of the Prospectus.

The Company shall publish an immediate report regarding the results of the offering and the status of the transfer of the Transferred Interests.

The controlling shareholder did not undertake go give any indemnification to the Company regarding the Transferred Interests to the Company and / or the Transferred Corporations.

The pro forma shareholders equity set forth in section 1.4.2 above reflects a situation whereby the Transferred Rights were transferred on January 1, 2012, on the date of establishment of the Transferred Corporations, or on the date in which the Transferred Interests were acquired by the Interest Holders, whichever is later (see note 1.C of the Company's pro forma consolidated financial statements, in chapter 10 below).

9 The Company requested the necessary approvals from third parties (lenders and partners) and as of this date it received the consent of such third parties, except of the written consent of entities related to First Capital Realty, which is expected in the next few days prior to the issuance.

Chapter 2- Details of the Offering

2.1 **The securities offered to the public**

2.1.1 Details on the securities offered to the public

NIS 200,000,000 par value of registered Debentures (Series A) (hereinafter – "**the Debentures**"), repayable in five (5) unequal installments on December 31, 2017, June 30, 2018, December 31, 2018, June 30, 2019 and December 31, 2019 (inclusive) such that the first payment will constitute 10% of the total nominal value of the principal of the Debentures (Series A) and the second, third and fourth payments will constitute 22% of the total nominal value of the principal of the Debentures (Series A) and the fifth payment will constitute 24% of the total nominal value of the principal of the Debentures (Series A) bearing an annual (unlinked) interest at a fixed rate that will not exceed 8.15% (but subject to adjustments in the event of changes in the rating of the Debentures (Series A) and/or as a result of non-compliance with a financial covenant) to be determined in a tender, payable on June 30 and on December 31 of each of the years 2016 until 2019 (inclusive), with the first interest payment to be made on June 30, 2016 and the last interest payment to be made on December 31, 2019. The Debentures (Series A) will not be linked (principal and interest).

Subject to adjustments in the event of changes in the rating of the Debentures (Series A) and/or as a result of non-compliance with a financial covenant and/or entitlement to arrears interest (as it is defined in section 4(a) of the Terms Overleaf in the First Addendum to the Deed of Trust, which is attached as Appendix 1 of this Chapter), the interest rate on the Debentures (Series A) shall not exceed 8.15% (hereinafter – the "**Maximum Interest Rate**").

The Company may make an early redemption of the Debentures (Series A) at its initiative, as specified in section 7.2 to the Deed of Trust.

2.2 **Manner and mode of issuance of the securities**

2.2.1 NIS 200,000,000 par value Debentures (Series A) offered to the public by way of a uniform offering, as stated in the Securities Regulations (Method of Offering Securities to the Public) Regulations, 5767-2007 - (hereinafter: "**Manner of Offering Regulations**"), at a par value of 200,000 units, by way of a tender on the

annual interest rate the Debentures (series A), shall bear (hereinafter: the "**Tender**"), where the price of and composition of each unit is as follows:

1,000 Debentures (Series A) at a price of NIS 1 per Debenture (Series A)

Total price per unit **NIS 1,000**

The Debentures (Series A) are offered to the public by way of a tender on the annual interest rate on the Debentures (Series A). The annual interest rate to be determined in the tender shall not exceed the Maximum Interest Rate.

2.2.2 Debentures (Series A), offered under this supplementary prospectus and supplementary notice that shall be published as specified below shall hereinafter be called the "**securities**" or the "**offered securities**".

2.2.3 The tender will open on the date and time to be specified in the supplementary notice (hereinafter: "**the date of the tender**").

2.2.4 Following the publication of this Prospectus, the Company will publish a supplementary notice in accordance with section 16 (1A) (2) of the Securities Law, 5728-1968 (hereinafter: the "**Securities Law**"), and the Securities Regulations (Supplementary Notice and Draft Prospectus), 5767-2007, in connection with the issue of the securities offered under this Prospectus (hereinafter: the "**supplementary notice**" and "**supplementary notice regulations**", as applicable). As part of the supplementary notice, the missing details in this Prospectus shall be completed and/or the details that can be updated in this prospectus shall be updated, in accordance with the provisions of these regulations. For details about the supplementary notice, see section 2.4.9 below.

2.3 **Listing of securities on the Tel Aviv Stock Exchange**

2.3.1 The TASE has given its approval in principle to complete this Prospectus, under which the terms of the securities offered in this supplementary prospectus comply with the provisions set out in the TASE regulations and guidelines thereunder.

2.3.2 Prior to the publication of the supplementary notice the Company shall request the TASE to list the debentures offered under this supplementary prospectus and the supplementary notice to be published at a later date. Subject to the approval of the TASE for the listing stated above, the Company shall request the listing of the securities for trading within 3 business days after the date of the tender. The abovementioned TASE approval is subject to the requirements of the TASE with

regard to the Debentures (Series A) as specified in sections 2.3.3.1 - 2.3.3.3 below. If the Debentures (Series A) are not listed for trading, the proceeds of the issue shall be returned to the applicants, together with the returns earned, if earned, net of legal tax (if any).

2.3.3 The listing of the Debentures (Series A) is subject to fulfillment of the requirements of the TASE Rules and Regulations including the publication of an Immediate Report of the Company regarding the receipt of approval from the Company's legal counsels in Canada that the Transferred Interests (as they are defined in section 1.3.2 above) have been transferred to the Company (hereinafter – the "**Approval of the Legal Counsels in Canada**"), all in accordance with the provisions of this section below:

2.3.3.1 In accordance with the TASE Regulations, the minimum free float for the purpose of listing the Debentures (Series A) is at least 35 different holders, each of which must hold debentures worth at least NIS 200,000 (for this purpose a "holder" will be deemed – one holder, where the value of his holdings exceeds the minimum value of holding per holder as aforesaid or a joint holder, where the value of their joint holdings exceeds the minimum value of holdings per holder as aforesaid).

2.3.3.2 The value of the public's holdings in the Debentures (Series A) following the listing on the TASE shall not be less than NIS 36 million.

2.3.3.3 Since the Debentures (Series A), for a total of up to NIS 200 million par value, are rated with a A3 rating by Midroog Ltd. (hereinafter: the "**Midroog**"), the Company is not required to comply with the shareholders' equity criterion. For details on the said rating see section 2.10 below and Appendix 2 of this section.

If it turns out that the TASE requirements as set forth in section 2.3.3.1 and 2.3.3.2 above have not be met, or no immediate report was published regarding the approval of the legal counsels in Canada has not been obtained within 14 business days from the date of the receipt of the monies by the lead manager of the issue, then the issue of Debentures (Series A) will be cancelled and they will not be listed for trade on the TASE, the money received from the issue coordinator shall be returned to the subscribers and the securities will not be issued to the subscribers and the Company will publish an immediate report to that effect. In this regard, it should be noted that the transferred rights transferred shall be transferred proximate to the issue under this prospectus

2.4 **The Public Offering**

2.4.1 The period for submission of subscriptions

Following the receiving of the early commitments to purchase the securities offered under this Prospectus from the classified investors (as received), the Company will publish a supplementary notice specifying the date of the placing of orders on behalf of the public for the purchase of securities offered pursuant to this Prospectus. In any event, the date for the placing of orders on behalf of the public to purchase the offered securities offered shall be at least five (5) business days after the date of publication of the supplementary prospectus or the date the draft prospectus was published, and there are only negligible amendments in the supplementary prospectus in comparison to the previous published draft or amendments that may be included in a supplementary notice (whichever is earlier). The period for submitting orders to purchase securities offered under this Prospectus will start no earlier than five (5) trading hours from the date of publication of the supplementary notice (hereinafter: "**the date of the tender**" or "**the start of the period for the submission of subscriptions**") and will end on the same day at the time to be determined in the supplementary notice (hereinafter: the "**date of closing of the subscription list**").

The interested parties of the Company may participate in the tender and submit offers.

2.4.2 Submission of subscriptions

2.4.2.1 Subscriptions for the purchase of units as part of the tender will be submitted to the Apex Issuances Ltd. (hereinafter – the "**Lead Manager of the Offering**") or through bank branches or other members of the TASE (hereinafter – "**entities authorized to receive subscriptions**") on the dates specified in the supplementary notice, as specified in section 2.4.9 below on forms that can be obtained at the entities authorized to receive subscriptions.

2.4.2.2 Each subscription for the purchase of units in the tender that was submitted to the entity authorized to receive subscriptions on the Date of the Tender shall be deemed submitted on that day if it was received by the entity authorized to receive subscription by up to the hour specified in the supplementary notice, provided it was delivered by the entity authorized to receive subscriptions to the lead manager of the offering the date specified in the supplementary notice, as specified in section 2.4.9

below. Any request for purchase of units in the tender submitted directly to the lead manager of the offering shall be considered as filed on the same day if it is accepted by lead manager of the issue up to the hour specified in the supplementary notice.

2.4.2.3 The subscriptions shall be delivered to the lead manager of the offering by the entities authorized to receive subscriptions on the date of the tender, by the hour specified in the supplementary notice , in closed envelopes that will remain closed until the end of the last day for submission of subscriptions, and will be placed by the lead manager of the offering in a closed and locked box together with the subscriptions that were submitted directly to the lead manager of the offering.

2.4.2.4 The entities authorized to receive subscriptions will be responsible and liable to the Company and to the lead manager of the offering for the payment of the entire consideration paid to the Company in respect of subscriptions that were submitted by means thereof and which were accepted, in full or in part.

2.4.2.5 Each investor may submit up to three offers with different interest rates, which will not exceed the maximum interest rate, provided the interest rate offered by it is stated in percentage in increments of 0.05%. That is, offers may be submitted at the Maximum Interest Rate and at lower rates in increments of 0.05%. An interest rate stated in a subscription which is not equal to one of the interest increments, will be rounded up to the nearest interest increment.

2.4.2.6 A subscription that fails to indicate any interest rate shall be deemed a subscription stating the maximum interest rate.

2.4.2.7 A subscription indicating an interest rate that exceeds the maximum interest rate shall be deemed a subscription that was not submitted.

2.4.2.8 Subscriptions may be submitted for the purchase of entire units only. A request for a portion of a unit shall be deemed a request for the number of whole units stated therein, and any fraction of a unit stated therein shall be deemed as if it was not included in the subscription. A subscription that indicates less than one unit will not be accepted.

2.4.2.9 The subscriptions for the purchase of units in the tender are irrevocable. The submission of subscriptions by the entities authorized to receive subscriptions for their clients shall be deemed an irrevocable commitment on their part to purchase the securities issued to their clients as a result of a full or partial acceptance of subscriptions submitted by them in accordance with the terms of this Prospectus, and

to pay through the lead manager of the subscription the full price pursuant to the terms of this Prospectus.

2.4.2.10 "**Subscriber**" for this purpose – includes a family member that resides with him as well as a classified investor that submits subscriptions for units pursuant to section 2.4.7 of the Prospectus.

2.4.3 Process of the tender, publication of its results and payment of consideration

2.4.3.1 On the date of the tender, on the date specified in the supplementary notice the box will open and the envelopes will be opened in the presence of the Company's representative, a representative of the lead manager of the offering and an accountant, who will supervise the proper execution of the process and the results of the tender will be summed up and processed, as set forth below.

2.4.3.2 On the first trading day after the date of the tender (hereinafter - "**the Clearing Day**"), no later than 10:00, a notice will be delivered to the subscribers by the lead manager of the offering, by means of the entities authorized to receive subscriptions, through which the applications were submitted, stating the number of units that were accepted. The notice will indicate the interest rate determined in the tender, the number of units to be allocated to the subscriber and the consideration due in respect of the units. Upon receipt of the notice, and on the same day until 12:00, the subscribers, whose subscriptions were accepted, in whole or in part, will transfer to the lead manager of the offering, through the entities authorized to receive subscriptions, the full consideration payable for the units that were accepted.

2.4.3.3 On the first trading day after the Date of the Tender, the Company will report the results of the tender to the Securities Authority and the TASE by means of an immediate report.

2.4.4 Determining the interest rate in the tender and the allotment of units

All the units in the subscriptions that are subsequently accepted, shall be issued at a uniform interest rate per unit (hereinafter – "**the Uniform Interest Rate**"), which will be the lowest interest rate in the subscriptions for units in which it was indicated therein as the interest rate together with subscriptions indicating lower interest rates, will suffice for the allocation of all the units offered to the public under this Prospectus. The units shall be allotted as follows: to the public under this Prospectus. Allocation of units shall be as set out below

2.4.4.1 If the total number of the units in the subscriptions (including units tendered by the classified investors as stated in section 2.4.7 below), that are accepted, is less than the total number of the units offered to the public – all the subscriptions will be accepted in full. In this case, the uniform interest rate will be the maximum interest rate.

2.4.4.2 If the total number of the units in the subscriptions (including units subscribed for by the classified investors as stated in section 2.4.7 below), which are accepted, is equal to or higher than the total number of the units offered to the public – all the units offered to the public will be issued as follows:

A. Subscriptions that state an interest rate above the uniform interest rate – will not be accepted.

B. Subscriptions that state an interest rate below the uniform interest rate (hereinafter – "**Subscriptions at an Interest Rate below the Uniform Interest Rate**") – will be accepted in full.

C. Subscriptions that state an interest rate that is equal to the uniform interest rate (hereinafter – "**Subscriptions at the Uniform Interest Rate**") will be accepted proportionately to the number of units tendered so that the ratio between the number of units received by each subscriber and the total number of units remaining for distribution, after deducting the units allotted to subscribers who submitted Subscriptions at an Interest Rate below the Uniform Interest Rate and after the allotment to classified investors in accordance with the provisions of section 2.4.7 below, shall be equal to the ratio between the number of units tendered at the uniform interest rate and the total number of units for which subscriptions at the uniform interest rate were submitted to the Company (excluding units for which prior commitments were made by classified investors as stated in section 2.4.7 below).

2.4.4.3 If, following the allotment stated in section 2.4.4.2 above, a minimum free float for the Debentures (Series A) as stated in section 2.3.1.1 above (hereinafter – the "**Minimum Free Float**") is not achieved, then the preferential allotment to classified investors as stated in section 2.4.7 below will be cancelled, and all the subscriptions in the same tender, including the subscriptions of the classified investors, will be issued as follows:

A. Subscriptions that state an interest rate above the uniform interest rate – will not be accepted.

B. Subscriptions that state an interest rate below the uniform interest rate (hereinafter – "**Subscriptions at an Interest Rate below the Uniform Interest Rate**") – will be accepted in full.

C. Subscriptions (including subscriptions submitted by classified investors in line with their prior commitments as stated in section 2.4.7 below) which state an interest rate that is equal to the uniform interest rate, will be accepted proportionately to the number of units tendered so that the ratio between the number of units received by each subscriber and the number of units remaining for distribution, after deducting the units allotted to subscribers who submitted Subscriptions at an Interest Rate below the Uniform Interest Rate, will be equal to the ratio between the number of units tendered at the uniform interest rate and the total number of units for which subscriptions at the uniform interest rate were submitted to the Company (including units for the purchase of which prior commitments were made by classified investors as stated in section 2.4.7 below).

2.4.4.4 If, following the allotment stated in section 2.4.4.3 above, a minimum free float for the Debentures (Series A) as stated in section 2.3.1.1 above, is not achieved, then the allotment will be carried out as follows:

Subscriptions that state an interest rate above the uniform interest rate – will not be accepted.

Subscriptions (including subscriptions submitted by classified investors in line with their prior commitments as stated in section 2.4.7 below) that state an interest rate which is equal to and/or below the uniform interest rate, will be accepted proportionately to the number of units tendered so that the ratio between the number of units received by each subscriber and the total number of units offered to the public will be equal to the ratio between the number of units tendered and the total number of units for which subscriptions at the uniform interest rate and/or at an interest rate below it were submitted to the Company (including units for which prior commitments were made by classified investors as stated in section 2.4.7 below).

2.4.4.5 If following the allotment of units stated in section 2.4.4.3 above, a minimum free float for the Debentures (Series A) as stated in section 2.3.1.1 above, is not achieved, then the allotment will be carried out again for the purpose of determining a new uniform interest rate that will not exceed the maximum interest rate, and which will be the lowest interest rate at which the securities included in the units can be allotted, such that the minimum free float requirements stated in section 2.3.1.1 are met, provided the subscriber is not allotted a higher number of units than the number subscribed for, or at a lower interest rate than that indicated in his subscription (hereinafter – the "**New Uniform Interest Rate**"). If a new uniform interest rate was determined as stated in this section, the allotment will be carried out as described in section 2.4.4.4 above and the "new uniform interest rate" shall be deemed to have been stated instead of the "uniform interest rate".

2.4.4.6 If a minimum free float cannot be achieved (as stated in section 2.3.1.1 above) as part of the allotment described in section 2.4.4.5 above, for the Debentures (Series A) offered under this prospectus, the offering will be cancelled, the Debentures (Series A) will not be issued and money from the subscribers will not be collected.

2.4.4.7 If, as a result of the allotment of Debentures (Series A) as aforesaid, fractions will be created, they will be rounded up, insofar as possible, to the nearest whole unit. Excess units remaining as a result of the rounding up will be purchased by the lead manager of the offering.

Each subscriber will be deemed to have committed to purchase all the units allotted to him as a result of a full or partial acceptance of his subscription, pursuant to the rules set forth above.

2.4.5 [Deleted]

2.4.6 <u>The Special Account</u>

2.4.6.1 Prior to the date of the tender the lead manager of the offering will open a special interest-bearing trust account in the Company's name with a banking corporation (hereinafter – "**the Special Account**"). This account will be managed exclusively by the lead manager of the offering in the Company's name and on its behalf in accordance with the provisions of the Securities Law 5728-1968 (hereinafter: the "**Securities Law**"), and into this account shall be deposited the amounts paid for the units the subscription of which were granted through the lead manager of the offering and through other members of the stock exchange under the terms of the

Prospectus and the lead manager of the offering shall treat them and act in accordance with the Securities Law and the terms of the Prospectus.

2.4.6.2 On the first trading day following the tender date, the entities authorized to receive subscriptions, through which the subscribers submitted their requests, will deposit in the Special Account, by 12:00 noon, the full amount of the consideration for the units that were accepted, as stated in section 2.4.4 of the Prospectus. The said funds will be deposited in liquid, unlinked, interest-bearing, shekel deposits on a daily basis. The Company confirms that the receipt of proceeds from the issue by the lead manager of the issue is equal to the Company having received consideration.

2.4.6.3 Within two business days after the closure of the tender the lead manager of the offering will transfer the funds remaining in the Special Account to the Company (or per its instruction as stated below) against the delivery of certificates of the debentures (Series A) offered to the public (hereinafter – the "**Allotment Date**").

2.4.7 Classified investors

The supplementary notice shall specify the names of the classified investors, the number of units which each one committed to order in the tender and the specified interest rate. For details of distribution fees, see section 2.9 below.

During the period commencing on the date of publication of the prospectus and ending on the date of publication of the supplementary notice, the Company shall contact the classified investors, as defined in section 1 of the Securities (Manner of Offering Securities to the Public) Regulations, 5767-2007 (above and below – "**Manner of Offering Regulations**")[1], in order to receive from them their early commitments for the purchase of units offered under this Prospectus. All the commitments of the classified investors shall be submitted to the Company on order forms through the lead manager of the offering, and will state the number of units and the rate of interest, as stipulated hereunder in this section.

In this section:

"**Oversubscription**" - the ratio between the subscribed amount of securities at the interest rate determined in the tender and the amount remaining for distribution, provided it exceeds one.

[1] "**Classified investor**" – an investor listed in section 15A(B)(1) or (2) of the Securities Law. In addition, a classified investor must commit to the purchase of securities at a minimum amount of NIS 800,000.

"**Amount remaining for distribution**" – the amount of securities offered in the tender, after the deduction of the securities for which subscriptions were made at an interest rate below the determined interest rate. The total amount of subscriptions by the classified investors shall not exceed the number stipulated in the Manner of Offering Regulations.

Pursuant to the Manner of Offering Regulations, in the event of oversubscriptions the allotment to classified investors shall be as follows:

If the oversubscription is up to 5 times the offered amount of units, each classified investor will be allotted 100% of the amount he committed to purchase.

If the oversubscription is more than 5 times the offered amount of units, each classified investor will be allotted 50% of the amount he committed to purchase.

If the amount of securities remaining for distribution is insufficient for allocation as aforesaid, then the amount allotted to the classified investors will be *pro rata* to their early commitments at the determined interest rate.

2.4.7.1 Subscriptions by the classified investors will b submitted as part of the tender and will be deemed as subscriptions submitted by the public for the purpose of determining the rate of interest, and in accordance with the provisions of section 2.4.4 of the Prospectus. If there is no oversubscription, the subscriptions of the classified investors will be deemed as subscriptions submitted by the public for the purpose of allotment of the securities. The units will be sold to the classified investors at the same interest rate as the one determined in the tender.

2.4.7.2 Receipt of early commitments from the classified investors prior to the publication of the supplementary notice will be done is in accordance with the principles determined in the Manner of Offering Regulations.

2.4.7.3 The classified investors may subscribe for and purchase units at an amount that exceeds the amount specified in their early commitment, however, excess units that were subscribed for and accepted will not be deemed subscriptions by classified investors for purposes of the Prospectus, but rather as subscriptions submitted by the public for all intents and purposes.

2.4.7.4 The consideration paid by the classified investors will be transferred to the lead manager of the offering through TASE members, one trading day following the tender date, by 10:30, and will be deposited by it in the Special Account as stated in section 2.4.6.1 above.

2.4.7.5 The Company will pay the classified investors an early commitment fee which will be published in the supplementary notice, for the units purchased by them in practice, in accordance with the orders submitted by virtue of their early commitment, if any, as specified in section 2.4.7 above.

A classified investor may, on the date of the tender, reduce the interest rate he indicated in his prior commitment as aforesaid aforesaid (in 0.05% increments), as specified in the supplementary notice, by delivering a written notice to the lead manager of the offering, which will be received by the lead manager of the offering by the time to be specified in the supplementary notice.

2.4.8 Allotment of securities, letters of allotment and certificates of securities

On the date of allotment and provided conditions have been met for the transfer of funds deposited in the Special Account by the lead manager of the offering as stated in section 2.4.6.3 of the Prospectus and against the transfer of funds, the Company shall allot to the subscribers, through the Registration Co. of United Mizrahi Bank Ltd. (hereinafter – the "**Nominee Company**") the securities included in the units that were tendered and accepted, wholly or partially, the consideration for which was paid in full, through the delivery of certificates in respect of the Debentures (Series A) to the subscribers (through the Nominee Company). The debenture certificates may be split or transferred or waived in favour for others subject to a letter of transfer or split or waiver, as the case may be, and its delivery with the addition of the certificates, to the Company, and subject to payment by the subscriber of any tax or levy or expenses involved therein.

2.4.9 Supplementary notice

Following the publication of this Prospectus, the Company will publish a supplementary notice in accordance with section 16(1A)(2) of the Securities Law, under which any missing details in this Prospectus will be completed and/or updated, including, but not limited to, details of the early engagements of the Company with classified investors and changes, if any, of the amount and the conditions of the offered securities offered. In the supplementary notice, the Company shall include every detail that can be included in accordance with the Supplementary Notice regulations, including the following details:

A. Determination of the date of the tender and the period for the submission of subscriptions.

B. Main issues of the underwriting agreement, including the fees paid by names of the underwriters they are a party.

C. Approval of the TASE for the listing of the securities offered to the public under this Prospectus.

D. A change in the quantity and/or the interest rate and/or price of the Debentures (Series A) offered pursuant to this Prospectus of no more than 20% of the quantity and/or price and/or interest rate specified in paragraph 2.2.1 above, and subject to the product of the number of units offered at the price not changing by more than 30% of the said product, derived from the price and quantity stated in the prospectus. The said updated quantity, price and interest rate will be specified in the supplementary notice.

E. A breakdown of the early commitments made, including the names of the classified investors as defined in the regulations of the offering, as well as the amount and rate of interest to which the classified investors have committed.

F. Details of expenses incurred by the offering and the issue of the securities, including early commitment fees, centralization and distribution.

G. Any detail, the amendment of which is required due to an amendment in the terms of the said offered securities, including the issuance costs, for the offered securities and their purpose.

H. Following the publication of the supplementary notice, the period for submitting orders to purchase the securities offered to the public pursuant to this prospectus will end not earlier than the end of seven hours, of which at least least five (5) trading hours, from the publication of the supplementary notice, and no later than 45 days from the publication of the supplementary Prospectus, meaning till January 13th, 2016.

During the period commencing on the date of publication of the supplementary prospectus and ending on the date of publication of the supplementary notice, the Company will contact the classified investors, in order to receive from them their early commitments to purchase the units offered under this supplementary prospectus. All of the commitments of the classified investors shall be submitted to the Company on order forms through the lead manager of the offering and will state the number of requested units and the rate of interest, not exceeding the maximum interest rate that will be published as part of the supplementary notice.

The supplementary notice will be submitted through the electronic due diligence system and shall be distributed in a manner and where this prospectus was published. Upon its publication, the supplementary notice shall become an integral part of this Prospectus.

The TASE approval of the listing of the Debentures (Series A) offered under this supplementary prospectus shall be given prior to publication of the supplementary notice with respect to the offering under this supplementary prospectus, as specified above.

2.5 **Avoiding capital dilution**

In the period between the date of this prospectus and the allotment of securities offered under this Prospectus, the Company shall not perform any act, except for the offering under this Prospectus, which could lead to "dilution of capital" as this term is defined in Regulation 38 of the Securities Regulations (Details, Structure and Form of Prospectus), 5729-1969.

2.6 **Avoiding making arrangements**

2.6.1 The Company, the directors and the underwriter undertake, by their signature on this Prospectus, to refrain from making any arrangements not stated in the Prospectus, with respect to the offering of the securities, their distribution and circulation to the public and undertake not to grant a right to the buyers of the securities under this Prospectus to sell the securities they purchased beyond that stipulated in the Prospectus.

2.6.2 The Company, the directors and the underwriter undertake, by their signature on this Prospectus, to notify the Securities Authority of any arrangement known to them with a third party that contradicts their undertakings as stated in section 2.6.1 of the Prospectus.

2.6.3 The Company, the directors and the underwriter undertake, by their signature on this Prospectus, to refrain from making arrangements with respect to the securities offered under the Prospectus with any third party whatsoever, which to the best of their knowledge, made arrangements in contrast to the provisions of section 2.6.1 of the Prospectus.

2.6.4 The Company, the directors and the underwriter shall not receive subscriptions for securities under this Offering from a distributor, which has not undertaken in writing to act in accordance with the provisions of this section. The Company and the underwriter shall submit to the Securities Authority a copy of the letter of undertaking of said distributors.

2.7 Taxation

2.7.1 Taxation of income under Canada

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a holder of the Debentures who acquires and holds the Debentures pursuant to the Offering and who, for purposes of the Tax Act and at all relevant times, holds the Debentures as capital property, deals at arm's length and is not affiliated with the Corporation (a "**Holder**"). Generally, the Debentures will be considered to be capital property to a Holder provided that the Holder does not hold the Debentures in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade.

This summary is not applicable to a Holder: (i) that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules); (ii) that is a "specified financial institution" (as defined in the Tax Act); (iii) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (iv) who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act; (v) who has entered into or will enter into a "derivative forward agreement" (as defined in the Tax Act) with respect to any Debentures; or (vi) that is a resident of Canada nor deemed to be resident in Canada. Any such Holder should consult its own tax advisor with respect to an investment in the Debentures.

This summary is based on the current provisions of the Tax Act and (management's) understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (the "**CRA**"). This summary also takes into account all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) before the date hereof (the "**Proposed Amendments**"). This summary assumes that all such Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to a particular Holder of the Debenture, and no representations with respect to the income tax consequences to any Holder or prospective Holder are made. Consequently, Holders and prospective Holders should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring the Debenture pursuant to the Offering, having regard to their particular circumstances.

Holders Not Resident in Canada

The following summary applies to a Holder of the Debentures who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention: (i) is neither a resident of Canada nor deemed to be resident in Canada, (ii) does not use or hold, is not deemed to use or hold and will not use or hold the Debenture in carrying on a business in Canada, (iii) is entitled to receive all payments (including interest and principal) in respect of a Debenture, and (iv) deals at arm's length with any transferee that is resident in Canada and to whom the Holder disposes of a Debenture (a "**Non Resident Holder**"). In addition, this summary does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an authorized foreign bank (as defined in the Tax Act) or a Non-Resident Holder that is at any time a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) in relation to the Corporation.

(i) Taxation of Interest on Debentures

A Non-Resident Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by the Corporation as, on account or in lieu of, or in satisfaction of, interest or principal on the Debentures. If in the future tax withholding obligation to the Company will incur, the Company shall report in an immediate report prior to the date of payment, and the obligation to apply tax deductible will be on the company.

(ii) Disposition of the Debentures

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of a Debenture unless the Debenture is, or is deemed to be, "taxable Canadian property" (as defined in the Tax Act) to the Non-Resident Holder at the time of disposition. The Debentures will not constitute taxable Canadian property of a Non-Resident Holder.

2.7.2 **Taxation of income under the laws of the State of Israel**

As usual when making any investment decision, the investor must consider the tax consequences arising from investing in the securities offered in the prospectus. The prospectus does not purport to provide an authoritative and/or complete interpretation of the provisions of the law or an exhaustive description of the tax provisions applying to the securities offered in the prospectus, and it does not take the place of legal and professional advice on the subject, which must be obtained based on the specific parameters of each investor.

On July 25, 2005 the Knesset passed the Income Tax Ordinance Amendment Law (No. 147), 5765-2005. The amendment significantly modifies the provisions of the Income Tax Ordinance [New Version], 5721-1961 (hereinafter: "**the Ordinance**") pertaining to the taxation of securities traded on the stock exchange. As of the date of this prospectus, not all the new regulations in the wake of the amendment have been published. Furthermore, there is still no practice in place for some of the provisions of the amendment, and no court ruling exists that interpret the new tax provisions in the amendment.

On August 13, 2012 the Deficit Reduction and Change in the Tax Burden Law (Legislative Amendments), 5772-2012 was published in the Official Gazette. The law included Amendment No. 195 to the Ordinance (hereinafter: "**Amendment 195**"), in the framework of which section 121B was added, providing that an individual with taxable income of more than NIS 800,000 in the tax year (adjusted to the index) will be liable, starting from 2013, to an additional tax on the portion of his taxable income in excess of NIS 800,000, at a rate of 2% beyond that stated above ("surtax") (for 2015 – an income above NIS 810,720).

On August 5, 2013 the Change in National Priorities Law (Legislative Amendments for Achieving the Budgetary Targets for 2013 and 2014), 5773-2013 was published in the Official Gazette, in the framework of which, *inter alia,* the corporate tax rate was increased starting from 2014 to 26.5%.

As usual when making any financial investment decision, one must consider the tax consequences arising from investing in the offered securities.

The provisions of the prospectus regarding the taxation of securities do not purport to be an authoritative interpretation of the statutory provisions referred to herein, and they do not take the place of professional advice based on the specific parameters and particular circumstances of each investor.

Under the current law, the securities offered in this prospectus are subject to the tax arrangements described in brief below:

2.7.2.1 Capital gains on the sale of securities

In accordance with section 91 of the Ordinance, a real capital gain on the sale of securities by an Israeli-resident individual is liable to tax at the marginal rate applying to the individual under section 121 of the Ordinance, subject to a maximum of 25%, and the capital gain will be regarded as the highest bracket in the scale of his taxable income, provided that the sale of the securities does not constitute business income of the individual and the individual did not claim financing expenses. Regarding the sale of securities by an individual who is a "substantial shareholder" in a company, i.e. he held, directly or indirectly, alone or jointly with another[2] – of at least 10% of one or more types of means of control in the company on the date of the sale of the securities or at any time during the 12 months prior to such sale (hereinafter: **"substantial shareholder"**) – the tax rate on a real capital gain earned by him will stand at a maximum of 30%. Notwithstanding the foregoing, a capital gain of an individual on the sale of a debenture that is not linked to the index[3] (or that is not denominated in a foreign currency or whose value is not linked to a foreign currency) will be liable to tax at a rate not exceeding 15%, or 20% in the case of a material shareholder, and the entire capital gain will be deemed a real capital gain. Furthermore, where an individual claimed real interest expenses and linkage differences on securities, the capital gain on the sale of the securities will be liable to tax at a rate of 30%, up to the enactment of provisions and conditions for the deduction of real interest expenses under sections 101A(a)(9) and101A(b) of the Ordinance. Said reduced tax rate will not apply to an individual whose income from the sale of securities constitutes "business" income, in accordance with the provisions of section 2(1) of the Ordinance. In this case, the individual will be charged a marginal tax rate in accordance with the provisions of section 121 of the Ordinance.

[2] As this term is defined in section 88 of the Ordinance.
[3] As this term is defined in section 91 of the Ordinance.

2.7.2.2 A body of persons will be liable to tax on real capital gains on the sale of securities at the rate prescribed in section 126(a) of the Ordinance, as explained above (26.5% starting from January 1, 2014).

2.7.2.3 An exempt mutual fund as well as provident funds and entities exempt from tax under section 9(2) of the Ordinance are exempt from tax on capital gains from the sale of securities, as stated, if they satisfy the conditions prescribed in that section. The income of a taxable mutual fund from the sale of securities is subject to the tax rate applying to the income of an individual that does not constitute income from a "business" or "profession," unless the law provides explicitly otherwise. If no special tax rate has been set for the income, it will be liable to tax at the maximum rate stipulated in section 121 of the Ordinance.

2.7.2.5 Regarding withholding tax from real capital gain in the sale of offered securities, in accordance with sections 164-243 of the Ordinance and provisions of the Income Tax Regulations (Deduction from Proceeds, Payment or Capital Gain From Sale of Securities, Sale of a Trust Fund Unit, or from a Future Transaction), 5763- 2002, the payer paying the seller (as this term is defined in these regulations) a consideration on the sale of a security that is not linked to the index, at a rate of 15% of the capital gain when the seller is an individual, and 26.5% of the real capital gain when the seller is a group of persons. However, this is subject to approvals of exemption (or a reduced rate) from withholding tax and subject to the offset of losses the withholding tax payer is authorized to perform. In addition, no tax will be withheld in the case of provident funds, mutual funds and other entities exempt from withholding tax under the law. It is noted that if on the date of sale, the full withholding tax is not deducted from the real capital gain, the provisions of section 91 (d) of the Ordinance and directives concerning the reporting and making a payment in advance with respect of such sale shall apply.

2.7.3 Tax rate applying to interest income on debentures

2.7.3.1 [Deleted]

2.7.3.2 [Deleted]

2.7.3.3 In accordance with section 125C(c) of the Ordinance, an individual will be liable to tax at a rate of 15% on interest (including partial linkage differences as defined in

section 3(e6) of the Ordinance) or discounting charges arising from a debenture not linked to the index.

2.7.3.4 In accordance with section 125C(d) of the Ordinance, said reduced tax rates will not apply, inter alia, if one of the following conditions is fulfilled: (1) the interest constitutes income from a "business" or "profession" in accordance with section 2(1) of the Ordinance or is recorded or required to be recorded in the individual's account books; (2) the individual claimed a deduction on interest expenses and linkage differences in respect of the debentures; (3) the individual is a substantial shareholder – as defined in section 88 of the Ordinance – in the company paying the interest; (4) the individual is an employee of the company paying the interest or provides services or sells products to it, or he has another special relationship with the company, unless it was proven to the satisfaction of the assessing officer that the interest rate was set in good faith and was not influenced by the existence of such a relationship between the individual and the body of persons; (5) another condition set by the Minister of Finance with the approval of the Knesset Finance Committee is fulfilled. In such cases, marginal tax will apply in accordance with the provisions of section 121 of the Ordinance.

2.7.3.5 The tax rate applying to income from interest or **discounting fees of an Israeli-resident body of persons other than a body of persons regarding which the provisions of section 9(2) of the Ordinance apply to the determination of its income**, excluding accrued interest in accordance with section 3(h) of the Ordinance, is the corporate tax rate (26.5% starting from January 1, 2014).

2.7.3.6 An exempt mutual fund as well as provident funds and entities exempt from tax under section 9(2) of the Ordinance are exempt from tax on income from interest or discounting fees, as stated, subject to the provisions of section 3(h) of the Ordinance regarding interest or discounting fees accrued in the period of holding by another. The income of a taxable mutual fund from interest or from discounting fees will be liable to the tax rate applying to the income of an individual which is not income from a "business" or "profession," unless it is determined otherwise.

2.7.3.7 In accordance with the provisions of section 9(15d) of the Ordinance, a foreign resident[4] is exempt from tax on income from interest, from discounting fees or from

[4] Foreign resident – A person who is a foreign resident on the day of receipt of the interest, the discounting fees or the linkage differences, as the case may be, excluding any of the following: (1) a substantial shareholder in the issuing body of persons; (2) a relative, as this term is defined in paragraph 3 of the definition of a relative in section 88 of the Ordinance, of the issuing body of persons; (3) a person who is employed by, provides services

linkage differences in respect of a debenture traded on the stock exchange in Israel that was issued by an Israeli-resident body of persons, provided the income is not in a permanent enterprise of the foreign resident in Israel. Subject to the provisions of the treaty for the avoidance of double taxation concluded between the State of Israel and the country of residence of the foreign resident, and subject to a certification by the Tax Authority, the exemption will not apply in the following cases:

a. The foreign resident is a substantial shareholder in the issuing body of persons, or

b. The foreign resident is a relative, as defined in paragraph (3) of the definition of "relative" in section 88 of the Ordinance, of the issuing body of persons, or

c. The foreign resident is employed by, provides services or sells products to or has a special relationship with the issuing body of persons (unless it was proven that the interest rate or discounting fees was set in good faith and was not influenced by the existence of the special relationship).

d. A foreign resident company which is held by Israeli residents, as stipulated in section 68A of the Ordinance.

2.7.3.8 Pursuant to the provisions of section 4a of the Income Tax Ordinance, the place where income was derived from interest, discount fees and linkage differences, shall be determined based on the Payer's place of residence. As a consequence, if it is determined that the Payer is not an Israeli resident and the recipient of the interest or discount fees is also not an Israeli resident, this income shall not be liable for tax in Israel.

2.7.3.8 If the above exemption does not apply, the interest income of a foreign resident (individual and body of persons) arising from securities will be subject to a tax rate in accordance with the provisions of the Ordinance, as explained above, or in accordance with the provisions of the treaty for the avoidance of double taxation that was concluded between the State of Israel and the country of residence of the foreign resident, subject to the receipt of a suitable certification from the Tax Authority.

2.7.3.9 [Deleted]

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to, sells products to or has a special relationship with the issuing body of persons, unless it was proven to the assessing officer's satisfaction that the interest rate or the discounting fees were set in good faith and were not influenced by the existence of such relationship; (4) a foreign-resident company held by an Israeli resident, as provided in section 68A of the Ordinance.

2.7.3.10 In accordance with the Income Tax Regulations (deduction from interest, dividend and certain profits), 2005, and the provisions of section 170 of the Ordinance, the rate of withholding tax on interest (as defined in the above regulations)[5] paid on stock exchange traded debentures, for an individual (also a foreign resident) who is not a substantial shareholder in the company paying the interest, where the debentures are not linked to the consumer price index or to a foreign currency, is 15%. On the other hand, for an individual who is a substantial shareholder in the company paying the interest or working in the company paying the interest or provides services or selling products to the Company, the tax rate will be the maximum marginal rate under section 121 of the Ordinance, as explained above. For a body of persons (Israeli resident and foreign resident), tax will be deducted at the corporate tax rate prescribed in section 126(a) of the Ordinance (26.5% effective from 2014 and thereafter).

2.7.3.11 In accordance with the provisions of section 2(4) and other relevant statutory provisions and other relevant statutory provisions, a discount on debentures[6] **is deemed the same as** interest liable to tax and to withholding tax as discussed above. Withholding tax is deducted from discounting charges on the debenture principal maturity dates. It is clarified that in accordance with the Tax Authority directives dated December 27, 2010, the deduction of withholding tax from interest (including from discounting fees)[7], as stated, and its transfer to the Tax Authority is done by stock exchange members and not by the company. The company shall transfer to the stock exchange members (through the stock exchange) the gross interest amount as well as the information in its possession regarding the holders and the security on which such interest is being paid.

2.7.3.12 Regulation 4 of the Income Tax Regulations (Calculation of Capital Gain on the Sale of a Security Traded on the Stock Exchange, Government Loan or Mutual Fund Unit), 5763-2002, provides that upon the redemption of debentures traded on the stock exchange on which discounting fees are also paid,[8] the proceeds of the redemption will be deemed to be the proceeds plus the discounting fees if all of the following conditions are fulfilled: (1) the capital gain on the sale of the debenture is not tax free; (2) a capital loss is created on the redemption date; and (3) the

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[5] Interest – interest, linkage differences not exempt under any law, including partial linkage differences, as defined in section 9(13) of the Ordinance, and discounting fees.
[6] That stated is relevant only to an offering of additional debentures (Series A) at a discount.
[7] That stated is relevant only to an offering of additional debentures (Series A) at a discount.
[8] That stated is relevant only to an offering of additional debentures (Series A) at a discount

redemption is not by the controlling person or the person who held the debenture from when it was allotted or issued, all the above up to the amount of the capital loss. The discounting fees that are regarded as proceeds under these provisions will not be deemed as income under section 2(4) of the Ordinance.

2.7.4 [omitted]

2.7.4.1 Offering of additional debentures in a series expansion

In accordance with the provisions of section 2(4) of the Income Tax Ordinance (New Version), 1961, discounting fees on debentures are regarded as interest liable to tax, to which the rules of deduction of tax at source apply upon redemption. As a general rule, the discounting rate is set as the difference between the stated value of the debentures and the proceeds that will be received, where this difference is positive. Debentures (Series A) which are being offered to the public under this prospectus are not issued at a discount.

Should the Company issue in the future additional series A debentures, in a series expansion, at a different discounting rate than for the same series (including no discount, if relevant), it will apply, prior to the expansion of the series, to the Tax Authority for its certification that for the purpose of deducting withholding tax on discounting fees on debentures (Series A), the debentures will be set a uniform discounting rate according to a formula that weights the different discounting rates, if any, in the same series (hereinafter in this section: "**the weighted discounting rate**"). If such a certification is received, the Company will calculate, prior to the series expansion, the weighted discounting rate on all the debentures in accordance with that certification, and prior to the series expansion the Company will issue an immediate report in which it specifies the weighted discounting rate for the entire series, and tax will be deducted on the dates of redemption of debentures from that series according to said weighted discounting rate and in accordance with the provisions of the law. In such case, all the other statutory provisions relating to the taxation of discounting charges will apply. If no such certification is received from the Tax Authority, the Company will issue an immediate report, prior to the series expansion, in which it advises that no certification was received and that the uniform discounting rate will be the highest discounting rate created in respect of the series, and all the other statutory provisions relating to the taxation of discounting fees will apply. The stock exchange members will deduct withholding tax upon the redemption of the series, according to the rate reported as stated.

Accordingly, there may be cases in which the withholding tax will be deducted on discounting fees at a higher rate than the discounting fees set for holders of debentures from the series prior to the series expansion (hereinafter: "**the excess discounting fees**"), whether or not a certification was received from the Tax Authority for setting a uniform discounting rate for that series. A taxpayer who held debentures from said series prior to the series expansion and until the redemption of the debentures held by him, will be entitled to file a return with the Tax Authority and to receive a tax refund in the amount of the tax that was deducted from the excess discounting fees, to the extent he is entitled to such a refund by law.

The stock exchange members will deduct at source from the interest payments made by them to the debenture holders the tax payments that are required to be deducted at source, except for entities that are exempt from such deduction in accordance with the law. On the debenture principal maturity dates the stock exchange members will deduct withholding tax on the discounting charges, if any, as discussed herein.

2.7.4.2 Offsetting losses from the sale of the offered securities

In general, losses from the sale of the offered securities shall be deductible only in cases where, if capital gains were created, they would be liable for tax. A capital loss from the sale of securities by an individual or a company shall be deductible against real capital gains in accordance with the principles prescribed in section 92 of the Ordinance, whether the losses/gain derived from an asset (including a marketable security in or outside Israel (except for a taxable capital gain which will be offset at a ratio of 1 to 3.5). A capital loss from the sale of securities during the tax year may be offset, during the same tax year, also against dividends or interest in respect of the same security and also against dividend or interest income in respect of other securities, provided the tax rate applicable to interest or dividend from the other securities does not exceed the rate of Companies tax in accordance with section 92(a)(4) to the Ordinance. Losses from the sale of securities that cannot be deducted in the tax year as aforesaid, can be deducted in the subsequent tax years, one after the other, only against capital gains and land betterment as stated in section 92(b) of the Ordinance, provided a report is submitted to the assessment officer indicating the tax year in which the loss was incurred. On August 31, 2011 an Amendment was published in the records to Income Tax Regulations (Deduction from Proceeds, Payment or Capital Gains on the Sale of Securities, on the Sale of a Trust Fund Unit

or in a Future Transaction), 2011. The said amendment provides that the calculation of capital gains for the purpose of deducting withholding tax on the sale of marketable securities, trust fund units and future transactions (hereinafter – "Marketable Securities"), the assessee will offset the capital loss in respect of the sale of Marketable Securities under its management, provided that the gains were created in the same year as the loss, whether prior to or subsequent to the date in which the loss was recorded. The said amendment will take effect as of January 1, 2012. Real losses on securities as the term is defined in section 6 of the Adjustment Law (in its wording prior to the cancellation thereof), that were created prior to January 1, 2006 and were not offset prior to that date, and which may be carried forward pursuant to the provisions of Section 6, may be offset only against gains from the sale of securities traded on the stock exchange. If the seller was a financial institution when the loss was created, for purposes of section 28 (b) of the ordinance, the loss shall be deemed as a carried forward loss in a business.

The above general description does not take the place of individual advice by experts, taking into consideration the specific circumstances of each investor. It is recommended to anyone considering purchasing securities under this prospectus to apply for professional advice that clarifies the tax consequences for him, taking into consideration his specific circumstances.

Owing to significant tax changes that have occurred in the capital market in the wake of the income tax reform, the proper practice for implementing its provisions has still not developed, and there might be several interpretations regarding the manner of their implementation. Moreover, there may be legislative changes in the provisions of the reform. Naturally, the content and effect of such changes cannot be foreseen, including in relation to the tax rulings received by the Company.

As usual when making any financial investment decision, one must consider the tax consequences arising from an investment in the securities offered under this prospectus. It is clarified that the above description reflects the statutory provisions as in effect on the prospectus date, and that these provisions could change and lead to different results. It should also be emphasized that the foregoing does not purport to be an authoritative interpretation of the statutory provisions referred to in the prospectus. Hence, the foregoing general discussion is not a substitute for individual advice by experts, taking into

consideration the specific circumstances of each investor. It is recommended to anyone considering purchasing securities under this prospectus to apply for professional advice that clarifies the tax consequences for him, taking into consideration his specific circumstances.

2.8 **Terms of the Debentures (Series A)**

In section 2.8 below the following terms shall have the meaning set out next to them

"Debenture Holder" and/or "Holder"	Each of the following: (1) a person in whose name a debenture is registered with a TASE member, and such bond is included in the debentures registered in the Register of Debenture Holders, in the name of the Nominee Company; (2) the person in whose name a debenture is registered with the Register of Debenture Holders;
"Amount of the Principal"	The outstanding par value of the debentures;
"Nominee Company"	Registration Co. of United Mizrahi Bank Ltd. or a nominee company in its place;
"Trading Day"	The day on which transactions are performed on the TASE;
"Business Day" or **"Bank Business Day"**	Any day on which the TASE Clearing House and most of the banks in Israel are open for transactions;
"Debentures"	Registered Debentures (Series A) of NIS 1 par value, which are offered under this Propsectus;
"The Trustee"	Reznik Pax Nevo Trusts Ltd. and/or anyone serving from time to time as trustee for the Debenture Holders (Series A) pursuant to the Deed of Trust;
"Special Resolution"	A resolution adopted at a general meeting of the Debenture Holders (Series A), at which holders of at least fifty (50%) of the outstanding par value of the Debentures (Series A) were present, in person or by proxy, or at an adjourned meeting, at which Debenture Holders were present, in person or by proxy, holding at least twenty percent (20%) of such outstanding balance, and which was adopted (whether at the original meeting or at the adjourned meeting) by a majority of at least two thirds (2/3) of

	the outstanding par value of the Debentures (Series A), which is represented in the vote;
"Rating"	Rating by a rating agency authorized by the Supervisor of the Capital Market, Insurance and Savings in the Finance Ministry;
"Rating Company"	Midroog Ltd. (hereinafter – "**Midroog**"), Standard & Poor's Maalot ("**Maalot"**) or another rating agency that was authorized by the Supervisor of the Capital Market, Insurance and Savings in the Finance Ministry;

In this Deed of Trust and in the Debentures, the rating shall have the meaning set forth in the table below:

"A-"	ilA- as rated by Maalot or A3 as rated by Midroog or a rating equivalent to these ratings, which will be assigned by another rating company which is rating or will rate the Debentures (Series A).
"BBB+"	ilBBB+ as rated by Maalot or Baa1 as rated by Midroog or a rating equivalent to these ratings, which will be assigned by another rating company which is rating or will rate the Debentures (Series A).
"BBB"	ilBBB as rated by Maalot or Baa2 as rated by Midroog or a rating equivalent to these ratings, which will be assigned by another rating company which is rating or will rate the Debentures (Series A).
"BBB-"	ilBBB- as rated by Maalot or Baa3 as rated by Midroog or a rating equivalent to these ratings, which will be assigned by another rating company which is rating or will rate the Debentures (Series A).
"BB+"	ilBB+ as rated by Maalot or Ba1 as rated by Midroog or a rating equivalent to these ratings, which will be assigned by another rating company which is rating or will rate the

	Debentures (Series A).

2.8.1 Date of repayment of the debenture principal

The Debentures (Series A) shall be paid in five (5) unequal installments on December 31, 2017, June 30, 2018, December 31, 2018, June 30, 2019 and December 31, 2019 (inclusive) such that the first payment will constitute 10% of the total nominal value of the principal of the Debentures (Series A) and the second, third and fourth payments will constitute 22% of the total nominal value of the principal of the Debentures (Series A) and the fifth payment will constitute 24% of the total nominal value of the principal of the Debentures (Series A).

2.8.2 Interest on the Debentures (Series A)

2.8.2.1 The outstanding balance of the principal of the Debentures (Series A) shall bear fixed annual interest at a rate to be determined in a tender.

2.8.2.2 The interest on the Debentures (Series A) shall be paid on June 30 and on December 31 of each of the years 2016 to 2019 (inclusive), for the six-month period ending on the day before the payment date (hereinafter – "**the Interest Period**"). The interest rate payable in respect of a specific interest period (excluding the first interest period) (i.e. the period commencing on the payment day of the previous interest period and ending on the last day before the next payment date after the commencement thereof) shall be calculated as the annual interest rate divided by two. The first interest payment on the Debentures (Series A) will be made on June 30, 2016, for the period commencing on the first trading day after the date of tender on the Debentures (Series A) and ending on June 29, 2016, is calculated on the basis of 365 days a year according to the number of days in this period. Following the results of the interest rate tender, the Company shall publish the periodic interest rate (which is the annual interest rate divided by two) and the interest payable in respect of the first interest period.

2.8.2.3 The last payment of interest on the Debentures (Series A) shall be made together with the last payment on account of the principal on the Debentures (Series A) on December 31, 2019, against the delivery of debenture certificates to the Company on the payment date. Withholding tax shall be deducted from each payment.

2.8.3 [Deleted]

2.8.4 Deferral of dates

If the date specified for making any payment of principal and/or interest falls on a day that is not a business day, the payment date shall be deferred to the business day immediately following that day, with no additional payment, and the "effective date" for determining entitlement to redemption or interest shall not be changed by reason thereof.

2.8.5 [Deleted]

2.8.6 Principal and interest payments on the Debentures

2.8.6.1 Any payment on account of principal and/or interest shall be made on the dates specified in section 2.8.1 and 2.8.2 of the Prospectus, and subject to the terms stipulated therein. Any payment on account of principal and/or interest shall be made to holders whose names are registered in the register of Debenture Holders, on the effective date for said payment, except for the final payment of principal and interest, that shall be made against the delivery of the relevant debenture certificates on the payment date, at the Company's registered office or at any other place as notified by the Company, at least 5 bank business days before the date designated for the final payment. With respect to arrears interest that will apply in the event of delay in the payment of any amount on account of the principal and/or the interest, see section 4(a) of the "Terms Overleaf" in the First Addendum to the Deed of Trust attached as Appendix 1 hereto.

"**The Effective Day**" for determining eligibility for the payment of principal or interest shall be 6 days before the date of any payment, as follows: June 24 (in relation to payment that falls on June 30) and December 25 (in relation to payment that falls on December 31) of each of the years 2016 to 2019 in relation to interest payments and on June 24 (in relation to payment that falls on June 30) 2018 till 2019 and on December 25 (in relation to payment that falls on December 31) of each of the years 2017 until 2019 in relation to principal payments. The final payment of principal and interest shall be made against the delivery of the debenture certificates on the payment date, at the Company's registered office or at any other place as notified by the Company, at least 5 bank business days before the date designated for the final payment. That is, the effective day for the final payment of principal and interest shall be the payment day.

2.8.6.2 Any payment under the Debentures to a registered holder shall be made by checks or by a bank transfer to the credit of his bank account, the details of which will be delivered to the Company in advance by said holder, in accordance with the

provisions of section 2.8.6.4 below, to which the said payments shall be transferred. Any payment under the debenture to unregistered holders shall be made through the TASE Clearing House.

2.8.6.3 If the Company is unable to pay any amount to the holder of debentures for reasons related to the holder, it will deposit this amount with the Trustee, as stated in section 2.8.7 below.

2.8.6.4 Any debenture holder who so wishes, may notify the Company of the details of the bank account to credit the payments under the Debentures to the account as stated, or of a change in the details of said account or in his address, as the case may be, in a notice sent by registered mail to the Company. The Company shall be required to act in accordance with the holder's notice of change 15 business days after the date on which the Company received such notice.

2.8.6.5 If the debenture holder fails to give the Company timely notice of the details of the bank account to which payments under the Debenture should be transferred, any such payment shall be made in a check sent by registered mail to his last address recorded in the register of holders. The sending of a check to a holder by registered mail as stated, shall be deemed, for all intents and purposes, as payment of the amount specified thereon on the date of mailing thereof, subject to the check being deposited in the bank and actually cashed.

2.8.6.6 Withholding tax shall be deducted from each interest payment; however, the Company shall refrain from deducting tax at source if prior to the payment the holder presents to the Company a certificate of exemption from withholding tax from the tax authorities.

2.8.7 Failure to pay for reasons out of the Company's control

2.8.7.1 Any amount due to a Debenture Holder which was not paid, for a reason out of the Company's control, while the Company was willing and able to pay said amount, shall cease to bear interest from the date designated for its payment and the Debenture (Series A) Holder will only be entitled to the amounts he was entitled to on the date prescribed for repayment thereof on account of the principal or the interest.

2.8.7.2 The Company shall deposit with the Trustee, at the earliest possible date following the date designated for payment and no later than 14 days from the date designated for payment, the sum of the instalment that was not paid on

time, as set out in section 2.8.7.1 above, and shall give notice in writing according to the addresses available to it, if any, to the Debenture (Series A) Holders, of such deposit, and such deposit shall be deemed as settlement of such instalment to the Holder, and, in the event of the settlement of all the amounts due under the Debenture (Series A), also as redemption of the Debenture by the Company.

2.8.7.3 Any amount held by the Trustee in trust for the holders shall be deposited by the Trustee in a bank and held by it, in its name or on its behalf, at its discretion, in permitted investments as set forth in section 17 of the Deed of Trust. If the Trustee did same it will owe the holders entitled to said amounts, only the proceeds from the disposal of the investments less the expenses related to said investments, including for the management of the trust account and less its fees and mandatory payments, and it shall pay same to the holders against such proof as shall be required thereby to its satisfaction. Once the Trustee receives notice from the holder that such impediment has been lifted, the Trustee shall transfer to the holder all the funds accumulated in the deposit as a result of the disposal of the investment, net of all the reasonable expenses and the trust fund management fees and net of any applicable tax under the law. Payment shall be effected against presentation of certifications, which are acceptable by the Trustee, regarding the holder's right to receipt thereof.

2.8.7.4 The Trustee shall hold such funds and shall invest them pursuant to the provisions of section 17 of the Deed of Trust, up to the end of one year from the final settlement date of the Debentures. After such date, the Trustee shall refund such amounts to the Company, (including profits thereon), less its expenses and less its fees and other expenses which were expended in accordance with the provisions of this Deed (such as payment to service providers, etc.), and the Company shall hold such amounts in trust for the Debenture Holders (Series A) that are entitled to such sums for a period of up to seven (7) years from the final maturity date of the Debentures (Series A), and in respect of the sums transferred to it by the Trustee, as aforesaid, the provisions of section 2.8.7.3 above shall apply to it, mutatis mutandis. Funds that are not claimed from the Company by the Debenture Holders (Series A) at the end of seven (7) years from the maturity date of the Debentures (Series A) shall be transferred to the Company's possession, and it may use the remaining

funds for any purpose whatsoever. As soon as the amounts are refunded to the Company the Trustee will not owe the Debenture Holders (Series A) any payment in respect of the amounts held by it as aforesaid.

2.8.7.5 The Company shall send a written confirmation of the refunded amounts to the Trustee as stated in section 2.8.7.4 above and the receipt thereof in trust on behalf of the Debenture Holders (Series A) and shall indemnify the Trustee for any claim and/or expense and/or damage of any type whatsoever incurred by it, in consequence of, and due to, the transfer of the funds as aforesaid, unless the Trustee has acted negligently (except for negligence which is exempt by law as shall be in effect from time to time), in bad faith or maliciously.

2.8.8 Register of Debenture Holders

A. The Company shall maintain and manage at its registered office a register of holders of Debentures (Series A) in accordance with the Securities Law, which shall be open to review by any person.

B. The Company shall not be obligated to record in the register of holders of Debentures (Series A) any notice concerning an explicit, implicit or presumed trust, or a pledge or charge of any nature and kind, or any equitable right, claim or offset or any other right, in connection with the Debentures (Series A). The Company shall only recognize the title of the person in whose name the debentures were registered, provided always that the legal heirs, administrators of the estate or executors of the will of the registered owner and any person becoming entitled to debentures due to the bankruptcy of any registered owner (and in the case of a corporation – due to its winding up) shall be entitled to be registered as the holder after producing proofs which, in the opinion of the Company's managers, establish his right to be registered as a debenture holder.

2.8.9 Change of rights

The rights attached to the debentures may be changed as described in section 28 of the Deed of Trust, which is attached as Appendix 1 hereto.

2.8.10 Splitting of Debenture Certificates

In respect of Debentures (Series A) registered in the name of one holder, one certificate shall be issued to the holder or, at his request, and several certificates shall be issued to him in a reasonable number (the certificates discussed in this section are hereinafter referred to as: the "**certificates**"). Any debenture certificate

may be split into several debenture certificates with a total nominal amount equal to the nominal amount of the certificate it is proposed to split, provided such certificates are only issued in a reasonable quantity. The split shall be made against delivery of the relevant debenture certificate to the Company at its registered office for the performance of the split, together with a written request to make the split, signed by the registered holder. All the costs entailed in the split, including taxes and levies, if any, shall be borne by the party requesting the split.

2.8.11 Transfer of Debentures

2.8.11.1 The debentures are transferrable with respect to the full amount of the nominal principal, and also a part thereof, provided it is in whole shekels. Any transfer of the debentures shall be made by a deed of transfer drawn up in the accepted form, duly signed by the registered holder or his legal representatives and by the transferee or his legal representatives, which shall be delivered to the Company at its registered office together with the certificates of the debentures which are being transferred on the basis thereof as well as any other reasonable proof as requested by the Company in evidence of the transferor's right to transfer them. If any tax or other mandatory payment applies to the deed of transfer of the debentures, the Company shall be given reasonable proof of the payment thereof. The Company's articles as relating to the transfer and endorsement of fully paid-up shares shall apply, mutatis mutandis, as the case may be, to the transfer and endorsement of the debentures.

2.8.11.2 If only part of the principal amount of a debenture is transferred, the debenture certificate shall first be split, as provided in section 2.8.10 above, into the number of debenture certificates necessitated thereby, such that the total of the amounts of the principal in those debenture certificates is equal to the amount of the principal of such debenture certificate.

2.8.11.3 Following the fulfilment of all the above stated conditions, the transfer shall be recorded in the Register, and the Company may demand that a caveat regarding such transfer be recorded on the transferred debenture certificate that is to be transferred to the transferee, or that a new debenture certificate be issued to him in its stead, and the transferee shall be subject to all the conditions set forth in the transferred debenture certificate, such that the term "holder" where it appears shall be deemed to refer to the "transferee," and the transferee shall be regarded as the "holder" for purposes of the Deed of Trust.

2.8.12 **The Deed of Trust**

2.8.12.1 General

On December 7, 2015, the Company signed a Deed of Trust with respect to the Debentures (Series A) with Reznik Paz Nevo Trusts Ltd. (hereinafter – "**the Trustee**" and "**the Deed of Trust**", as the case may be).

The details of the Trustee as given to the Company, as of the date of the Prospectus, are as follows: Reznik Paz Nevo Trusts Ltd from 14, Yad Harutzim Street, Tel Aviv. Telephone number: 03-6389200; Fax number: 03-6389222. Contact: Attorney Michal Avtalion- Rishoni, email: Michal@rpn.co.il

The Trustee is a company registered in Israel, which is engaged in trusteeship, and it meets all the eligibility requirements of the Securities Law and the regulations thereunder, to serve as a trustee to the debenture holders.

The Trustee has declared in the Deed of Trust that it fulfils all the eligibility requirements for trustees of debentures pursuant the Securities Law, 1968 (hereinafter – "**the Securities Law**") and any other law and that he has agreed to sign the Deed of Trust and to act as trustee to the debenture holders under this Prospectus.

To the best knowledge of the Company, on January 6, 2014 the trustee learned that REIT 1 Ltd. (hereinafter - "**REIT**") had filed a lawsuit against Edri-El Properties Ltd. (hereinafter - "**Edri-El**") and against the Trustee (who served as a Trustee of the holders of the Debentures (Series B) of Edri-El). According to REIT, the lawsuit for NIS 56 million was filed due to: "basic violations of the sales agreement by Edri-El and violation of the written undertaking of the Trustee to remove the liens on the properties". The Trustee rejected and rejects the claims of REIT.

On August 14, 2014 the trustee learned that Edri-El had filed a lawsuit against the Trustee (who served as trustee for the holders of Debentures (Series B) of Edri-El). According to Edri-El, the lawsuit was filed for both direct and indirect damages caused to Edri-El as a result of the violation of the undertaking by the Trustee to remove the liens on the properties which led to the failure of a transaction to sell two properties of Edri-El for the amount of NIS 32.5 million. The Trustee rejected and rejects the claims of Edri-El.

On December 8, 2014 Reznik Paz Nevo R.P.N Trustees 2007 Ltd. a fully owned subsidiary of the Trustee (hereinafter: "**RPN**") (who serves as Trustee for the holders

of Debentures (Series B) of Ampal American Israel Corporation (hereinafter - "**Ampal**") learned that, that Merhav MNF Ltd., a subsidiary of Ampal (hereinafter - "**Merhav**") and Mr. Yossi Maiman (hereinafter: "**Maiman**"), the controlling shareholder of Merhav, had filed a third party notice against RPN and others in connection with a lawsuit against Merhav and Maiman on behalf of the Merhav Group - Ampal Ltd. and Merhav - Ampal Energy Ltd. with regard to an enterprise producing ethanol in Colombia that was to have been performed by Merhav. According to Merhav and Maiman, the actions carried out by RPN and others during the negotiations to formulate an arrangement with the creditors of Ampal caused the failure of the ethanol enterprise and as a result they are responsible for the debt of Merhav and Maiman to Ampal in connection with the lawsuit. RPN out rightly rejected and rejects the claims of Merhav and Maiman.

The Trustee's signature on the Deed of Trust does not constitute an opinion by the Trustee as to the nature of the offered securities or the advisability of investment in these securities.

The full text of the Deed of Trust and the debentures attached to the Deed of Trust is attached as Appendix 1 to this chapter. The description hereunder is not a substitute to reading the full text of the Deed of Trust.

2.8.12.2 Additional data from the Deed of Trust

In addition to that stated in section 2.8.12.1 above, the table below presents summaries of the other material provisions of the Deed of Trust, which is attached as Appendix 1 to chapter 2:

	Subject	Section in the Deed of Trust
A.	Purchase of debentures by the Company and/or a related person and the implementation of a distribution	Section 3 of the Deed of Trust
B.	Issuance of supplementary debentures	Section 4 of the Deed of Trust
C.	Adjustment of the interest rate due to changes in the rating of the Debentures (Series A) and/or as a result of non-compliance with a financial covenant	Sections 5.2 and 5.3 of the Deed of Trust
D.	Collateral	Section 6 of the Deed of Trust
E.	Early redemption initiated by both the TASE and the Company	Section 7 of the Deed of Trust
F.	Right to declare the debentures due and payable	Section 8 of the Deed of Trust
G.	Claims and proceedings instituted by the Trustee, if any, against the Company	Section 9 of the Deed of Trust
H.	Trust of proceeds received by the Trustee as a result of declaring the debentures due and payable and/or as a result of proceedings taken by the Trustee, if taken, against the Company	Section 10 of the Deed of Trust

I.	Trustee's powers to delay the distribution of funds	Section 12 of the Deed of Trust
J.	Trustee's notice regarding payments to Debenture Holders of funds received by it	Section 13 of the Deed of Trust
K.	Company's failure to pay the Debenture Holders for reasons beyond its control	Section 14 of the Deed of Trust
L.	Investment of funds	Section 17 of the Deed of Trust
M.	The Company's undertakings to the Trustee	Sections 18 to 19 of the Deed of Trust
N.	Trustee's reports to the Debenture Holders	Section 22 of the Deed of Trust
O.	Special powers of the Trustee	Section 24 of the Deed of Trust
P.	Trustee' powers to engage agents	Section 25 of the Deed of Trust
Q.	Indemnification of the Trustee	Section 26 of the Deed of Trust
R.	Notices	Section 27 of the Deed of Trust
S.	Waiver, settlements or alterations to the Deed of Trust	Section 28 of the Deed of Trust
T.	Appointment of Trustee and Termination of Trustee's Office	Section 31 of the Deed of Trust
U.	Trustee's fees	Appendix 23 of the Deed of Trust
V.	Register of Debenture Holders	Section 29 of the Deed of Trust
W.	Split and transfer of debentures	Sections 9 and 10 of the Terms Overleaf in the First Addendum to the Deed of Trust
X.	Meetings of Debenture Holders	Section 32 of the Deed of Trust and the Second Addendum to the Deed of Trust
Y.	Representation of the Debenture Holders	The Third Addendum to the Deed of Trust

2.9 **Pricing Underwriter, Coordination and Distribution**

The offering of bonds (Series A) under the prospectus is not secured by an underwriting commitment. However, Apex Issuances Ltd. ("**Apex**") acted as the pricing underwriter (as defined in Section 1 of the Securities Act, 1968) involved in setting the issuance composition. Serving as a pricing underwriter, Apex signed prospectus' drafts which were published to the public, hence will be required to sign the prospectus.

Description of early commitments given, including the distribution fees regarding such commitments will be described in the supplementary notice.

2.10 **Rating**

On December 6, 2015 Midroog has announced an A3 rating to debentures of up to NIS 200 Million issued by the Company as a new series of debentures. Midroog has given its consent for the inclusion of the rating report in the prospectus. The rating report is attached as appendix 2 of the chapter

Appendix 1

Deed of trust for the Debentures (Series A) and its appendices

Appendix 2

Company rating report Midroog Ltd.

Deed of Trust

Drawn Up and Signed on December 7, 2015

(Replaces and cancels a Deed of Trust dated November 29, 2015)

Between:

Urbancorp Inc.

A foreign company incorporated in the District of Ontario, Canada, the registered office of which is at the following address:

120 Lynn Williams Street, Suite 2A, Toronto Canada

and its address in Israel for the purpose of this Deed of Trust and for the purpose of service of judicial documents is:

C/O Shimonov and Co – Law Firm

11, Derech Menachem Begin, Ramat Gan, Rogovin Tidhar Tower, 23rd Floor

Tel: 03-6111000

Fax: 03-6133355

(Hereinafter, the "**Company**")

Of the first part;

And

Reznik Paz Nevo Trusts Ltd.

Of 14 Yad Harutzim Street, Tel Aviv 67778

Tel: 03-6389200

Fax: 03-6289222

(Hereinafter, the "**Trustee**")

Of the second part;

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Part One – Deed of Trust

Part Two – Terms Listed Overleaf

Part Three – Additions to the Deed of Trust

Whereas the Board of Directors of the Company decided to approve the issue of Debentures (Series A) under the terms of the Prospectus ;

Whereas on December 6, 2015 Midroog Ltd. (hereinafter – "**Midroog**") announced the assignment of an A3 rating to the new debenture series to be issued by the Company, with a total value of up to NIS 200 million par value;

Whereas as of the date of signing this Deed of Trust the Company is in compliance with all the terms of the rating company for the purpose of assigning the abovementioned rating to the debenture series (Series A) ;

Whereas the Trustee is a private company limited in shares that was incorporated in Israel pursuant to the Companies Law, 5759-1999 (hereinafter: "**the Companies Law**"), the main purpose of which is to engage in trusteeship activities;

Whereas the Trustee has declared that there is no impediment under the Securities Law, 5728-1968, or any other law, to prevent it from entering into this Deed of Trust with the Company and that it complies with the requirements and qualifications stipulated in the Securities Law to serve as Trustee for holders of the Debentures (Series A) offered under the Prospectus;

Whereas the Trustee has no material interest in the Company and the Company has no personal interest in the Trustee;

Whereas the Company declares that there is no impediment under any law to enter into this Deed of Trust with the Trustee;

Whereas under the Prospectus the Company is to issue up to NIS 200,000,000 par value Debentures (Series A) as specified in section 2 of this Deed of Trust;

Whereas the Debentures (Series A) will be listed for trade on the Tel Aviv Stock Exchange Ltd;

Whereas subject to the success of the issue, the Company will be a reporting corporation;

Whereas the Company has applied to the Trustee to serve as Trustee for the holders of Debentures(Series A) and the Trustee has agreed to sign this Deed of Trust and to act as the Trustee of the holders of Debentures (as they are defined above), all subject to and in accordance with the terms of this Deed of Trust;

Now, therefore, it is agreed, declared and stipulated by the Parties as follows:

1. Preamble, Interpretation and Definitions

1.1 The preamble to this Deed of Trust and the appendixes attached hereto constitute an integral part hereof.

1.2 The division of this Deed of Trust into sections as well as the section headings herein is for the purpose of convenience and easier reference only, and shall not be used for the purpose of interpretation.

1.3 In this Deed of Trust, where the context so admits, the plural shall include the singular and vice versa, the masculine gender shall implicitly also refer to the feminine gender and vice versa, and any reference in the context to a person shall include a corporate body, all insofar as there is no other explicit and/or implicit provision in this Deed of Trust or if the content or the context does not demand otherwise.

1.4 With respect to any matter not mentioned in this Deed of Trust and in the event of a conflict between the provision of the Law and this Deed of Trust, the provisions of the Israeli Law only shall prevail. In any event of contradiction between the provisions set forth in the Prospectus in connection with this Deed and/or Debentures, the provisions of this Deed of Trust shall prevail[1].

1.5 In this Deed of Trust and in the Debentures, the following terms shall have the meaning set out alongside them, unless otherwise implied in the content or context.

1.5.1 "**This Deed**" or "**Deed of Trust**": this Deed of Trust including the appendices attached thereto that constitute an integral part thereof;

1.5.2 "**Tender**": the tender on the fixed annual interest rate on the Debentures (Series A) to be issued by the Company pursuant to the Prospectus;

1.5.3 "**Debentures (Series A)**": Debentures (Series A) to be issued by the Company pursuant to the Prospectus (as specified below);

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[1] The Company clarifies that as of the date of the Prospectus there is no contradiction between the provisions of Israeli law and the provisions of the Trust Deed and that there is no contradiction between the provisions pertaining to Debentures specified in the Prospectus and the provisions of the Deed of Trust and the documents attached thereto.

1.5.4 "**Debenture Series**": registered Debentures of up to NIS 200,000,000 par value, the terms of which are as set out in the Certificate of Debentures (Series A) and the Prospectus, pursuant to which they are to be issued;

1.5.5 "**The Prospectus**": the Company's Prospectus published in November 2015 and to be amended in December 2015;

1.5.6 "**The Trustee**": Reznik Paz Nevo Trusts Ltd. and/or anyone serving from time to time as Trustee for the Debenture Holders pursuant to this Deed;

1.5.7 "**Register of Debenture Holders**" and/or "**the Register**": the register of Debenture Holders as set forth in section 29 of this Deed;

1.5.8 "**Holder**" and/or "**Debenture Holder**": each of the following: (1) a person in whose name a debenture is registered with a TASE member, and such debenture is included in the Debentures registered in the Register of Debenture Holders, in the name of the Nominee Company; (2) the person in whose name a debenture is registered with the Register of Debenture Holders;

1.5.9 "**Debenture Certificate**": a Debenture certificate the wording of which appears in the **First Schedule** to this Deed;

1.5.10 "**The Law**" or "**the Securities Law**": the Securities Law, 5728-1968 and the regulations promulgated thereunder, as shall be in effect from time to time;

1.5.11 "**The Companies Law":** the Companies Law, 5759-1999 and the regulations promulgated thereunder, as shall be in effect from time to time;

1.5.12 "**Business Day**" or "**Bank Business Day**": any day on which the TASE Clearing House most of the banks in Israel are open for transactions;

1.5.13 "**Trading Day**": day on which transactions are performed on the TASE;

1.5.14 "**Nominee Company**": the Mizrahi Tefahot Bank Registration Company Ltd. or any substitute nominee company;

1.5.15 "**Amount of the Principal**": the nominal value of the Debentures;

1.5.16 "**TASE**": the Tel Aviv Stock Exchange Ltd;

1.5.17 "Ordinary Resolution": a resolution passed at a General Meeting of Holders of Debentures (Series A), of which at least 25% of the nominal value of the outstanding Debentures (Series A) were present in person or by proxy, or at an

adjourned meeting at which any number of participants were present, and at which the resolution was passed (whether at the original meeting or the adjourned meeting) by a majority of at least fifty percent (50%) of the nominal value of the outstanding Debentures (Series A) represented at the vote;

1.5.18 "**Special Resolution**":

A resolution adopted at a General Meeting of the Holders of Debentures (Series A), at which holders of at least **50%** of the nominal value of the outstanding Debentures (Series A) were present, in person or by proxy, or at an adjourned meeting, at which Debenture Holders were present, in person or by proxy, holding at least **20%** of such outstanding balance, and which was adopted (whether at the original meeting or at the adjourned meeting) by a majority of at least two thirds (**2/3**) of the nominal value of the outstanding Debentures (Series A), represented in the vote.

1.5.19 "**Conflicting Matter**": as per the meaning in Section 9.3 of the Second Schedule to this Deed;

1.5.20 "**Rating**": rating by a rating agency authorized by the Head of the Capital Market, Insurance and Savings in the Finance Ministry;

In this Deed of Trust and in the Debentures, the rating shall have the meaning set forth in the table below:

"A-"	**ilA**- as rated by Maalot or **A3** as rated by Midroog or a rating equivalent to these ratings, which will be assigned by another rating company which is rating or will rate the Debentures (Series A).
"BBB+ "	**ilBBB**+ as rated by Maalot or **Baa1** as rated by Midroog or a rating equivalent to these ratings, which will be assigned by another rating company which is rating or will rate the Debentures (Series A).
"BBB"	**ilBBB** as rated by Maalot or **Baa2** as rated by Midroog or a rating equivalent to these ratings,

	which will be assigned by another rating company which is rating or will rate the Debentures (Series A).
"BBB-"	**ilBBB-** as rated by Maalot or **Baa3** as rated by Midroog or a rating equivalent to these ratings, which will be assigned by another rating company which is rating or will rate the Debentures (Series A).
"BB+"	**ilBB+** as rated by Maalot or **Ba1** as rated by Midroog or a rating equivalent to these ratings, which will be assigned by another rating company which is rating or will rate the Debentures (Series A).

1.5.21 "**The Rating Company**": Standard and Poors Maalot Ltd. (above and below: "**Maalot**"), Midroog Ltd. (above and below: "**Midroog**") or another rating company that was authorized by the Supervisor of the Capital Market, Insurance and Savings in the Finance Ministry;

1.5.22 "**Reporting Corporation**": as defined in the Securities Law, as specified in the Second or Third Addendum to the Securities Law;

1.5.23 "**Controlling Shareholder**": Mr. Alan Saskin;

1.5.24 "**Report Regulations**": The Securities Regulations (Periodic and Immediate Reports), 5730-1970.

1.5.25 **"Financial Statements":** audited or reviewed annual or quarterly consolidated financial statements which the Company is required to publish in accordance with the Securities Law and the regulations thereunder.

1.5.26 "**Dollar**" or "**Canadian Dollar**": Canadian dollar

1.6 Wherever the TASE rules apply or will apply to any act pursuant to this Deed of Trust, they shall take precedence over the provisions of this Deed of Trust, and the dates of the said act shall be set in accordance with the TASE rules.

1.7 In the event of any conflict between the provisions of this Deed of Trust and the documents attached thereto, the provisions of the Deed of Trust shall prevail.

1.8 In the event of any conflict between the provisions of the Prospectus in connection with this Deed and/or the Debentures, the provisions of this Deed of Trust shall prevail[2].

1.9 Signature of the Deed of Trust by the Trustee is not an expression of the opinion thereof concerning the quality of the securities being offered or that they are a worthwhile investment.

2. <u>Issue of the Debentures; Terms of Issue; Pari Passu Debentures</u>

2.1 The Company will issue the Debentures (Series A) as described in the preamble to this Deed. The Debentures (Series A) will be listed for trade on the TASE and the Company will act in an optimal manner for their trading on the TASE for their entire life-term.

2.2 The terms of the Debentures (Series A) that will be issued under the Prospectus shall be as follows:

Up to NIS 200,000,000 par value registered Series A Debentures (hereinafter: "**the Debentures**"), repayable in five (5) unequal installments on December 31, 2017, June 30, 2018, December 31, 2018, June 30, 2019 and December 31, 2019 (inclusive) such that the first payment will constitute10% of the total nominal value of the principal of the Debentures (Series A) and the second, third and fourth payments will constitute 22% of the total nominal value of the principal of the Debentures (Series A) and the fifth payment will constitute 24% of the total nominal value of the principal of the Debentures (Series A), bearing a fixed annual (unlinked) interest at a rate not exceeding the rate determined in the tender (but subject to adjustments in the event of change in the rating of the Debentures (Series A) and/or failure to comply with the financial covenants set forth in section 5.2 and 5.3 below) as shall be determined in the Tender, payable on June 30 and December 31 of each of the years 2016 to 2019 effective from June 30, 2016 to December 31, 2019 (inclusive) for the six-month period that ended on the day prior to the date of payment (hereinafter – the "**Interest Period**"). The interest rate payable in respect of a specific interest period (except for the first interest period)

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[2] For further details see footnote 4 of section 1.1 of the Prospectus.

(namely, the period commencing on the date of payment of previous interest period and ending on the last day before the date of payment following commencement thereof) shall be calculated as the annual interest rate divided by two. The first interest payment is payable on June 30, 2016 for the period commencing on the first trading day after the date of the tender on the Debentures (Series A) and ending on June 29, 2016 (above – the "**First Interest Period**"), calculated on the basis of 365 days a year and based on the actual days in this period, and the final interest payment will be paid on December 31, 2019. The Debentures (Series A) will not be linked (principal and interest).

Subject to adjustments in the event of a change in the rating of the Debentures (Series A) and/or failure to comply with a financial covenant as specified in section 5.2 and 5.3 below and/or entitlement to arrears interest (as it is defined in section 4A of the overleaf terms in the First Schedule to this Deed), the interest rate on the Debentures (Series A) shall not exceed the rate to be determined in the tender and shall not be less than this rate (hereinafter: the "**Maximum Interest Rate**").

2.3 The Company reserves the right to an early redemption of the Debentures provided the terms set forth in section 7 of this Deed are fulfilled.

2.4 The Debentures (Series A) shall rank *pari passu* among themselves, with respect to the Company's obligations under the Debentures, without any preference or priority of one over the other.

3. <u>Acquisition of Debentures by the Company and/or a related person and distribution</u>

3.1 The Company reserves its right, subject to the law, to acquire the Debentures (Series A) at any time and from time to time, without prejudice to the duty to repay the outstanding Debentures (Series A). In the event of said acquisition, the Company shall notify the Trustee in writing, without derogating from the duty to submit an Immediate Report applicable thereto. In the event that the Debentures (Series A) are acquired by the Company, the Company shall apply to the TASE Clearing House to withdraw the Debentures so acquired.

In the event of the said acquisition by the Company the acquired Debentures (Series A) will expire immediately, will be cancelled and delisted from trading and the Company may not re-issue these Debentures. Nothing in the foregoing shall derogate from the Company's right to make an early redemption of the Debentures (Series A) as stated in section 7 below.

3.2 The controlling shareholder of the Company (directly or indirectly) and/or a member of his family (spouse as well as a sibling, parent, the parent of a parent, offspring or an offspring of his spouse, or the spouse of each of them) and/or a subsidiary of the Company and/or a related company of the Company and/or an associate of the Company and/or a company controlled by any of them (directly or indirectly) (except for the Company itself with respect to which the provisions of section 3.1 above shall apply) (hereinafter – "**Related Person**") may acquire and/or sell Debentures (Series A) at their discretion (and subject to any law), at any time and from time to time, including by means of an issue by the Company, Debentures (Series A) that will be issued under the Trust Deed. In the event of the said acquisition and/or sale by a subsidiary of the Company and/or a company controlled by it the Company shall file an Immediate Report to that effect. The Debentures (Series A) that will be held be a Related Person, as above, shall be deemed an asset of the Related Person, and if they are listed for trading, they shall not be delisted from the TASE, and shall be transferrable as the other Debentures (Series A). The Debentures (Series A) owned by a Related Person shall not confer on such person voting rights at meeting of Debenture Holders (Series A) and may not be counted for purposes of determining the existence of a quorum at such meetings. Meetings of Holders shall be held in accordance with the provisions of the Second Addendum to the Trust Deed. A Related Person shall report to the Company, to the extent that he is obligated by law to do so, any acquisition of Debentures (Series A) and the Company shall submit to the Trustee, at its request, the list of related persons and the quantities held by them on the date requested by the Trustee based on the reports received, as noted above, from related persons, which were reported by the Company via the MAGNA system. It is hereby clarified that reporting via the MAGNA system shall constitute reporting to the Trustee for the purposes of this section.

3.3 Nothing in the foregoing section shall bind the Company and/or a Related Person or the Debenture Holders (Series A) to acquire Debentures and/or sell the Debentures (Series A) in their possession.

3.4 It is clarified that as of the date of signing this Deed the Company is not subject to any restriction with respect to the distribution of dividends or the buyback of its shares, except as specified in section 5.5 below and subject to the provisions of the law in the District of Ontario, Canada.

4. Issue of additional Debentures

4.1 The Company may, from time to time, without requiring the approval of the Trustee and/or the Holders existing at that time, to issue additional Debentures (Series A) (whether by way of a private placement or a public offering or by any other way) under a Prospectus), including to a Related Person (as it is defined in section 3.2 above), on such terms as it sees fit (the terms of the additional issued shall be identical to the terms of Debentures (Series A)). However, in this case the annual fees of the Trustee will be adjusted in accordance with the specifications set out in Appendix 23 of this Deed, The outstanding Debentures (Series A) on the date of expansion of the series and the additional Debentures (Series A) (from the date of issue thereof) shall constitute one series for all intents and purposes. The Company shall apply to the TASE to list the said additional Debentures (Series A) for trading, once they are issued.

Notwithstanding the aforesaid, an additional issue of Debentures (Series A) shall be carried out provided all the terms set forth below are met: (a) the additional issue of Debentures (Series A) does not adversely affect the rating of the Debentures (Series A) that were initially issued under this Deed, as it shall be at that time (**namely: the rating on the eve of the expansion of the series**); (b) on the date of the additional issue the Company shall be in compliance with the financial covenants set forth in section 6.11 of this Deed; (c) on the date of the additional issue, in accordance with the recent financial statements published prior to the date of the additional issue, and following the additional issue, the Company is in compliance with the said financial covenants; (d) on the date of the additional issue there was no cause for immediate repayment of the Debentures; (e) on the date of the additional issue the Company is fulfilling its material obligations to the Debenture holders; (f) the expansion of the series will not harm the ability of the Company to redeem the Debentures; (g) the maximum scope of the series shall not exceed NIS230 million par value. It should be noted that that this section does not, constitute the Trustee's agreement for immaterial breaches of this Deed by the Company. The Company will submit to the Trustee at least 7 days before the additional issue a written certification signed by the chief financial officer that the said terms in sections (b) to (g) above, the Trustee will rely on the certification of the Company and will not perform an additional examination on its behalf. In addition the Company will submit to the Trustee certification from the rating company or the rating company report, according to which an additional issue will not impact the rating of the Debentures as it shall be on the eve of the expansion of the series (publication of the

said certification or rating company report by the Company shall constitute submission to the Trustee for the purposes of this section).

The Debentures (Series A) will have an equal security ranking *pari passu,* among themselves, without any preference or priority of one over the other.

If the discount rate set for the additional Series A Debentures, if any, differs from the discount rate of the outstanding Debentures (Series A) at that time (including lack of discount, if relevant), the Company shall apply to the tax authority, prior to the expansion of the bond series, in order to obtain its approval that, for purposes of deducting withholding tax from the discount fees in respect of the Series A Debentures, a uniform discount rate be determined for the Debentures (Series A) based on a formula that weights the different discount rates in the series, if any (hereinafter : the "**Weighted Discount Rate**").

In the event that such approval is obtained, the Company will calculate the Weighted Discount Rate in respect of all the Debentures (Series A), and will publish an Immediate Report stating the uniform Weighted Discount Rate for the entire series, prior to the expansion of the series, and tax will be deducted on the dates of repayment of the Debentures (Series A), according to the Weighted Discount Rate and in accordance with the provisions of the law. In such case, all other provisions of the law relating to the taxation of discount fees shall apply. If such approval is not obtained, the Company will publish an Immediate Report, immediately prior to the issue of the additional Debentures (Series A), stating the highest discount rate in respect of that series. The members of the TASE will deduct withholding upon the repayment of the Debentures (Series A), in line with the said discount rate which will be reported.

Therefore, there may be cases in which withholding tax will be deducted in respect of discount fees, at a rate higher than the discount rate set for the holders of Debentures (Series A) prior to the expansion of the series (hereinafter – "**Excess Discount Fees**"), and this will affect them unfavorably whether or not the tax authority approved a uniform discount rate for the relevant series. In this case, an assessee that held Debentures (Series A) prior to the expansion of the series, will be entitled to file a tax report with the tax authority and receive a tax return in the amount of the tax that was deducted from the Excess Discount Fees, provided he is entitled to such return under the law.

4.2 Without derogating from the generality of the foregoing, the Company reserves the right, subject to the provisions of any applicable law, to issue at any time and from time to time (whether by way of a private placement or public offering or by any other way) and without requiring the approval of the Debenture Holders (Series A) and/or the approval of the Trustee, as the case may be, including to a Related Person (as it is defined in section 3.2 above), additional series of Debentures, as the Company sees fit, except for Debentures whose commercial terms (namely, the percentage of the principal repaid on each payment date and the repayment dates of the principal, the interest rate and the dates of payment thereof, as well as no indexation of the principal and interest rate) are identical to the terms of the outstanding Debentures (Series A) and except for debentures that have priority over Debentures (Series A) with respect to priority of repayment solely in the event of dissolution (namely, debenture series may be issued which be secured by some form of collateral).

Notwithstanding the aforesaid, the issue of debentures as stated in section 4.2 above (hereinafter in section 4.2 only – the "**Additional Issue**") is subject to the fulfilment of all the terms set forth below: (a) the said Additional Issue will not adversely affect the rating of the Debentures (Series A) that were initially issued under this Deed, as it shall be on that date (namely, the rating on the eve of the Additional Issue); (b) on the date of the Additional Issue, in accordance with the recent financial statements published prior to the date of the Additional Issue, and immediately following implementation of the Additional Issue, the Company is in compliance with the financial covenants specified in section 6.11 of this Deed; (c) on the date of the Additional Issue there is no cause for immediate repayment of the Debentures; the Company will submit to the Trustee a written certification signed by the chief financial officer that the aforesaid conditions in sections (b) and (c) above have been fulfilled, no later than 7 days prior to the Additional Issue and certification that the terms of the Additional Issue do not have priority over the terms of the Debentures (Series A) upon dissolution of the Company. The said Additional Issue will be carried out subject to prior certification by the Rating Company that the Additional Issue will not affect the rating of the Debentures (Series A) as shall be in effect at the time.

The certification of the rating company will be published prior to the Additional Issue.

Subject to the provisions of any law, the Company shall inform the Trustee of additional issues of said Debentures a reasonable time prior to the issue and will submit to the Trustee any report it published in connection therewith pursuant to any law.

5. The Company's undertakings

5.1 The Company hereby undertakes to pay, on the designated dates, the principal and interest amounts payable under the terms of the Debentures (Series A), if payable, and to comply with all the other terms and obligations imposed on it, pursuant to the terms of the Debentures (Series A) and under the terms of this Deed.

5.2 Adjustment of the interest rate to changes in the rating of Debentures (Series A):

For purposes of this section below it should be clarified that if the Debentures (Series A) will be rated by more than one rating company, the review of the rating for the purpose of adjusting the interest rate to a change in the rating (if any) shall be done, at any time, based on the lower rating thereof.

The interest rate on the Debentures (Series A) will be adjusted to changes in the rating of the Debentures (Series A) as set forth in this section:

It is hereby clarified that if an adjustment of the interest rate is required in accordance with the mechanism described in this section above and below and in accordance with the mechanism described in section 5.3 below, then in any case (except in the case of entitlement to interest for late payment pursuant to section 4(a) of the terms overleaf) the maximum additional interest rate will not exceed the interest rate determined in the Tender by more than 1.50%.

In this regard:

The A-, BBB+, BBB, BBB-, BB+ and BB- are as defined in the table in section 1.5.20 above.

"**The Basic Rating**" – A- rating.

"**The Additional Interest Rate**" – rate of 0.25% per annum for each downgrade of one notche below the Basic Rating (namely, in respect of a downgrade to BBB+) and 0.25% per annum per each additional notch below the Basic Rating (namely, beginning

from a downgrade to BBB-) up to a maximum interest rate addition of 1% per annum, namely: up to a rating downgrade to BBB+.

A. If the rating of the Debentures (Series A) by the rating company (in the event that the rating company is replaced, the Company will submit to the Trustee a report comparing between the ratings scale of the replaced the rating company and the ratings scale of the new rating company) is revised during any interest period, so that the rating assigned for the Debentures (Series A) is two or more notches (hereinafter: the "**Downgraded Rating**") below the Basic Rating, the annual interest rate on the outstanding principal amount of the Debentures (Series A) will be raised by the incremental interest rate or a portion thereof (as specified below), in accordance with the aforementioned notches, in respect of the period from the date of publication of the new rating by the rating company to the full repayment of the outstanding principal amount of the Debentures (Series A), subject to changes in the interest rate in accordance with the provisions of section 5.3 below. If the interest rate is raised before than due to breach of the financial covenants as set forth in section 5.3 below, then the interest rate increase in respect of the downgrade will be limited so that the additional interest per annum does not in any event exceed 1.50%.

B. No later than one business day after the rating company's announcement that the rating of the Debentures (Series A) has been downgraded as defined in subsection (A) above, the Company shall publish an Immediate Report stating: (a) the downgrading of the Debentures, the Downgraded Rating, the rating report and the date of the Rating Downgrade of the Debentures (Series A) (hereinafter – the "**Date of the Downgrade**"); (b) the Company's compliance/ non-compliance with the financial covenants described in section 5.3 below according to the last audited or reviewed consolidated financial statements of the Company that were published before the date of the Immediate Report and whether there was a change in the interest rate due to its compliance / non-compliance with the financial covenants as aforesaid; (c) the accurate interest rate on the outstanding principal amount of the Debentures (Series A) for the period from the start of the current interest rate period until the Date of the Downgrade (the interest rate shall be calculated based on 365 days a year) (hereinafter – the "**Original Interest Rate**" and the "**Original Interest Rate Period**", respectively); (d) the interest

rate on the outstanding principal of the Debentures (Series A) for the period from the Date of the Downgrade until the date of the nearest interest payment, that is: the Original Interest Rate plus the Additional Interest Rate per year (the interest rate is calculated based on 365 days a year) (hereinafter – the "**Revised Interest Rate**"), provided the interest rate was not increased before that due to breach of the financial covenants as stated in section 5.3 below, in which case the interest rate increase in respect of the rating downgrade will be limited so that the additional interest per annum does not exceed 1%; (e) the weighted interest rate paid by the Company to the Debenture Holders (Series A) in the nearest interest payment, arising from the provisions of subsection (c) and (d) above; (f) the annual interest rate reflected by the by weighted interest rate; (g) the annual interest rate and the semi-annual interest rate (the semi-annual interest rate is calculated by dividing the annual interest rate by the number of interest payments per year, namely, divided by two) for the forthcoming periods.

C. If the date of the Rating Downgrade in respect of the Debentures (Series A) falls during the period commencing four days before the record date for any interest payment and ending on the interest payment date nearest to the said record date (hereinafter – "**the Deferral Period**"), the Company shall pay the Debenture Holders (Series A), on the nearest interest payment date, the Original Interest Rate prior to the change; and, provided the interest rate was not raised before that due to any breach of the financial covenants as stated in section 5.3 below, the interest rate arising from the added interest at a rate equal to the Additional Interest Rate per annum during the Deferral Period, will be paid on the next interest payment date. The Company will publish an Immediate Report stating the accurate interest rate payable on the next interest payment date.

D. In the event of a revision in the rating of the Debentures (Series A) by the rating company which affects that the interest rate on the Debentures (Series A) as stated in section A above or E below, the Company shall inform the Trustee in writing one business day after the date of publication of the said Immediate Report.

E. It is clarified that if after the downgrade which affected the interest rate on the Debentures (Series A) as stated in section 5.2 (A) above, the rating company upgrades the rating of the Debentures (Series A) and insofar as the interest rate

was not increased before that due to breach of the financial covenants as stated in section 5.3 below, the interest rate will be reduced annually in increments of 0.25% per each notch (in respect of an upgrade from a rating of BB+ to BBB- or for an upgrade from a BBB- to a BBB rating, or for an increase from BBB to a BBB+ rating or for an increase from BBB+ to the Basic Rating) (in accordance with the provisions of section 5.2(A) above), and if the rating company upgrades the rating of the Debentures (Series A) to a rating equivalent or higher than an A- rating (hereinafter: the "**High Rating**"), and insofar as the interest rate was not increased before that due to breach of financial covenants as stated in section 5.3 below, the interest rate payable by the Company to the Debenture Holders (Series A) on the relevant interest payment date, will decrease, in respect of the period in which the Debentures (Series A) were assigned the High Rating, so that the interest rate on the outstanding principal amounts of Series A Debentures will be the interest rate determined in the Tender, to be published by the Company in an Immediate Report regarding the results of the issue, with no increase in respect of the Downgrade as stated in section 5.2 (and in any case, the interest rate on the Debentures will not be lower than the interest rate determined in the tender). In such case the Company shall act in accordance with subsections (B to (D) above, with the necessary changes arising from a High Rating instead of the Downgraded Rating.

F. If the Debentures (Series A) cease to be rated for a reason attributed to the Company (for example, but not limited to, failure to fulfill the Company's obligations to the rating company, including failure to make payments and/or reports as part of the Company's undertaking to the rating company) for a period of 21 days, before the final repayment, provided the interest rate was not increased as stated in subsection (A) above, the withdrawal of the rating shall be deemed the downgrading of the Debentures (Series A) by four notches below the Basic Rating, such that the interest rate increase will be 1%, and the provisions of subsections (B) to (E) shall apply accordingly without derogating from the provisions of subsection 8.1.18 hereunder. To remove any doubt it is clarified that if the Debentures (Series A) cease to be rated, prior to final repayment of the Debentures, for a reason out of the Company's control, this will not affect the

interest rate as stated in section (A) above and the provisions of section 5.2 will not apply.

G. In the event that the rating company is replaced or the Debentures (Series A) cease to be rated by a rating company, the Company shall publish an Immediate Report within one business day from the date of the change, to explain the reasons for replacing the rating company or the withdrawal of the rating, as the case may be.

H. To remove any doubt, it is clarified that: (1) a change in the rating outlook of the Debentures (Series A) will not entail a change in the interest rate on the Debentures (Series A) as stated in this section above; (2) as long as the Debentures (Series A) are rated by two rating companies, subsection (F) above will not apply unless the two rating companies cease to rate the Debentures (Series A).

I. In the event of a downgrade the Company will act in accordance with section 5.2 (B) above. If, prior to the Date of the Downgrade, the interest rate increases due to breach of one or more of the financial covenants in accordance with the mechanism specified in section 5.3 below, **the change in the interest rate** with respect to the adjustment mechanism specified in this section 5.2 above will be limited such that in any case, the increase in the interest rate (if any) will not cumulative more than 1.50% above the interest rate determined in the Tender.

J. The Company undertakes to take steps so that, insofar as it is under its control, the Debentures (Series A) will be rated by the rating company throughout the term of the Debentures (Series A) and to that end the Company undertakes to pay the rating company all the amounts which it has undertaken to pay the rating company and to submit to the rating company the reasonable reports and information it requires, as part of the agreement between the Company and the rating company. In this regard, failure to make the payments which the Company has undertaken to pay to the rating company and failure to submit the reasonable reports and information required by the rating company, as part of the agreement between the Company and the rating company, shall be deemed reasons and circumstances under the Company's control. **The Company does not undertake not to replace the rating company or to terminate the agreement therewith**

during the term of the Debentures (Series A). Should the Company replace the rating company which, on the date of replacement, is the sole rating company that rates the Debentures (Series A) and/or ceases the work of the rating company (in the event that it is a sole rating company), the Company undertakes to notify the Trustee and the Debenture Holders within one trading day and in its notice shall state the reasons for replacing the rating company, all within one trading day from the date of the said replacement and/or date of the decision to cease the work of the rating company, whichever is earlier. It should be clarified that the foregoing shall not derogate from the Company's right to replace the rating company or cease the work of the rating company (in the event that it is not a sole rating company), at its sole discretion and for any reason it deems fit.

5.3 Interest rate adjustment resulting from failure to comply with financial covenants

The interest rate on the Debentures (Series A) will be adjusted due to breach of one of the financial covenants as set forth below:

a. The consolidated nominal equity of the Company (excluding minority interests) will not be less than $ 70 million (this amount will not be linked to the CPI);

b. The ratio of the consolidated equity of the Company (including minority interests) to the total consolidated assets, net of customer advances, shall not be less than 22%;

c. The ratio of the adjusted net financial debt to the total adjusted assets shall not exceed 69%;

In sections 5.2 and 5.3 above and below, each of the above financial covenants shall be named: "**financial covenant**" and collectively "**financial covenants**").

For purposes of this subsection only:

"**Net adjusted financial debt**" – The short-term and long-term interest bearing debt from banks and financial institutions plus interest-bearing debt to the holders of Debentures issued by the Company, net of cash and cash equivalents and net of short-term investments, marketable securities and deposits (including said assets with limited use), all based on the financial statements of the Company, plus the proportionate consolidation of affiliated companies and companies and jointly controlled companies;

"**Interest-bearing debt to holders of Debentures issued by the Company**" – This is the Company's debt to the holders of debenture in accordance with the financial statements of the Company. If this debt is hedged by means of exchange rate hedging transactions, then the calculation of the said total debt shall be adjusted in accordance with the effective currency rate derived from the said protection transactions.

"**Adjusted assets** - The balance sheet of the Company in accordance with the latest financial statements of the Company, plus the proportional consolidation of the properties of affiliated companies and companies under joint control

It is hereby clarified that if and to the extent adjustment of the interest rate is required in accordance with the mechanism described in this section above and below and in line with the mechanism described in section 5.2 above, then in any case (except in the case of entitlement to interest for delay in payment pursuant to section 4(a) of the terms overleaf) the maximum additional interest rate above the interest rate determined in the Tender will not be more than 1.50%.

In this regard:

"**The Additional Interest Rate**" – A rate of 0.5% for each breach of the financial covenants. The interest rate will only be raised once due to the breach of a financial covenant, if there is any such breach, the interest rate will not be raised again if a breach of the same financial covenant continues. Therefore, in the event of failure to comply with the three financial covenants there will be an increase of 1.5% in the interest rate. It is emphasized that where a rating downgrade led to an increase in the annual interest rate pursuant to the provisions of section 5.2 above, in any case the additional interest rate by virtue of this section together with the additional interest rate by virtue of section 5.3, with respect to the breach of the financial covenant, shall not exceed 1. 5%.

"**The Breach Date**" – This is the date of publication of the financial statements that point to the breach.

A. If the Company breaches a financial covenant pursuant to the reviewed or audited consolidated financial statements of the Company (hereinafter – "**the Breach**"), the annual interest on the outstanding principal amount of the Debentures (Series A) will increase by the Additional Interest Rate in respect of the Breach, above the interest rate in effect at the time, prior to the change, in respect of the period

from the Date of the Breach until the date of repayment of the outstanding principal amount of the Debentures (Series A) or until the date of publication of the Company's financial statements pursuant to which the Company is in compliance with the financial covenant, whichever is earlier, provided the interest rate was not increased before that due to the breach of a different financial covenant as stated in this section 5.3 and/or to a rating downgrade as stated in section 5.2 above. If the interest rate was increased before that due to the breach of a different financial covenant as per this section 5.3 and/or due to a rating downgrade as stated in section 5.2 above, then the interest rate increase due to the breach of a financial covenant as provided in this subsection will be limited so that the annual interest rate increase will not exceed 1.5%.

B. In the event of said breach, no later than one business day after the publication of the Company's reviewed or audited financial statements (as the case may be), the Company shall publish an Immediate Report stating the following: (a) its failure to comply with the said undertaking and detailing the financial covenant on the date of publication of the financial statements; (b) the current rating of the Debentures (Series A) based on the last rating report that was published prior to the Immediate Report; (c) the exact interest rate on the Debentures (Series A) for the period from the current interest rate period until the Date of the Breach (the interest will be calculated based on 365 days a year) (hereinafter: the "**Original Interest Rate**" and the "**Original Interest Period**"), respectively); (d) the interest rate on the outstanding Debentures (Series A) from the Date of the Breach until the date of the nearest interest payment, that is, the Original Interest Rate plus the Additional Interest Rate per year (the interest rate will be calculated based on 365 days a year) (hereinafter: the "**Current Interest Rate**"), provided the interest rate was not increased before that due to the breach of a different financial covenant as stated in this section 5.3 and/or due to a rating downgrade as stated in section 5.2 above, in which case the interest rate increase due to breach of financial covenant as provided in this subsection will be limited, so that the annual additional interest will not exceed 1.5%; (e) the weighted interest rate payable by the Company to the Debenture Holders (Series A) on the nearest interest payment date, which arises from the provisions of subsection (2) and (3) above; (f) the annual interest rate arising from the weighted interest rate; (g) the

annual interest rate and the semi-annual interest rate (the semi-annual interest rate will be calculated as the annual interest rate divided by the number of interest payments a year, that is, divided by two) for the forthcoming periods.

C. If the Date of the Breach occurs during the period commencing four days prior to the record date for the payment of any interest and ending on the interest payment date that is nearest to the record date (hereinafter – the "**Deferral Period**"), the Company shall pay the Debenture Holders (Series A), on the nearest interest payment date, the Original Interest Rate only, while the interest rate resulting from an increase at a rate equal to the Additional Interest Rate per year during the Deferral Period, will be paid on the next interest payment. The Company shall publish an Immediate Report stating the accurate interest rate payable on the next interest payment date.

D. In the event of a breach of a financial covenant which affects the interest rate on the Debentures (Series A) as stated in section 5.3(A) above or in section 5.3(E) below, the Company shall notify the Trustee in writing within one business day from the date of publication of the said financial statements.

E. To remove any doubt it is clarified that if after the breach, the Company will publish its audited or reviewed financial statements (as the case may be), pursuant to which the Company will be in compliance with the said financial covenant, then the interest rate paid by the Company to the Debenture Holders (Series A), on the relevant interest payment date, will decrease, in respect of the period in which the Company complied with the financial covenant, which commenced on the date of publication of the financial statements that point to its compliance with the financial covenant, so that the interest rate on the outstanding principal amount of the Debentures (Series A), provided the interest rate was not raised before that due to a rating downgrade of Series A Debentures as stated in section 5.2 above and/or due to the breach of a different financial covenant as stated in this section 5.3 above, will be the interest rate that was determined in the Tender, as published by the Company in an Immediate Report regarding the results of the issue (and in any case, the interest rate on the Debentures will not be lower than the interest rate in the Tender) or another interest rate determined due to a downgrade in the rating of Debentures (Series A) as stated in section 5.2 above, and/or due to the breach of a different financial

covenant as stated in this section 5.3 above. In such case the Company shall act in accordance with subsections (b) to (d) above, *mutatis mutandis*, as the case may be, arising from the Company's compliance with this financial covenant.

F. The examination as to whether the Company is in compliance with the financial covenants will be conducted on the date of publication of the Company's financial statements and as long as the Debentures (Series A) are outstanding, in relation to the quarterly/annual financial statements which the Company published until that date.

G. The Company will indicate its compliance or non-compliance with the financial covenants in the quarterly or annual Board of Directors Report, as applicable.

To remove any doubt it is clarified that, subject to the foregoing, the incremental interest rate payments arising from the rating downgrade as stated in section 5.2 above and/or as a result of the Company's failure to comply with the financial covenants as stated in section 5.3 above are cumulative. Therefore, in the event of a rating downgrade and a breach of a financial covenant by the Company, the Debenture Holders (Series A) will be entitled to an additional interest as specified above provided the annual interest rate increase does not exceed 1.5%.

It should further be clarified that the interest compensation specified in section 5.2 above and this section 5.3 do not derogate from or affect any other or additional remedy available to the holders of Debentures (Series A) or to the Trustee under the terms of Debentures (Series A) and the provisions of this Deed or according to the law.

5.4 It is clarified that as of the date of signing this Deed the Company is not subject to any restriction with regard to the distribution of dividends or the buyback of its shares, except as set forth in section 5.5 below and subject to the provisions of the law in the District of Ontario, Canada.

5.5 The Company undertakes that as long as there are outstanding Debentures (Series A), it will not implement any distribution, plus it will not declare, pay or distribute any dividend, unless the total amount of the funds deposited in the Dedicated Account (as specified in section 6.1.14 below) equals 100% of the liability value of the Debentures together with the amounts equal to the future interest payments up to the final redemption date of the Debentures (net of amounts deposited in the interest cushion

account) up to the end of the life-term of the Debentures (hereinafter: the "**Dividend Restriction**"):

5.6 The Company undertakes that the irregular transactions specified below will be subject, in addition to approvals pursuant to the provisions of Article 275 of the Companies Law, to the advance approval of the Debenture Holders (Series A), by an ordinary majority:

(a) The Company's irregular transactions with its controlling shareholder, or the Company's irregular transactions with another person, in which the controlling shareholder has a personal interest, or agreements of the Company with the controlling shareholder or his relative, directly or indirectly, including through a company controlled thereby, regarding services provided to the Company, and if he is an officer of the Company – regarding the terms of his position and employment, and if he is an employee of the Company and not an officer therein – regarding his employment by the Company; and

(b) The Company's irregular transactions with its controlling shareholder, or the Company's irregular transactions with another person, in which the controlling shareholder has a personal interest, or contracts between the Company and the controlling shareholder or his relative, directly or indirectly, through a company controlled by him, regarding the purchase and/or sale of properties, **except for** the transfer of properties to the Company against the allocation of shares only (without financial consideration), and **except for** irregular sales transactions (as specified below);

(Above and hereinafter: "**Special Transactions**")

With respect to section 5.6 , for the avoidance of doubt, it should be noted that the transactions described below shall not be considered "special transactions" and therefore shall not require the approval of the holders as provided in section 5.6 above: (1) the transfer of properties to the Company for no financial consideration or against the allocation of shares only; (2) the acquisition of the share of the Company's partners in the existing properties of the Company on the date of signing the Deed of Trust and/or of the partners of companies held by the existing property company of those companies on the date of signing this Deed of Trust; (3) the approval, update or renewal of transactions specified in section 9 of the Prospectus approved prior to the

date of publication of the Prospectus (as opposed to the approval of conditions that deviate from those described in section 9; (4) provision of guarantees by the controlling shareholder (directly and/or indirectly) in favor of the financing bodies of the Company and/or entities controlled by the Company; (5) non- exceptional and exceptional transactions, in accordance with Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000; (6) entering into insurance policies to insure the properties of the Company and the investee companies against the usual risks, within a framework of policies that covers the properties of the Company as well as the properties of the controlling shareholder, whatever they are (with the premiums totals being allocated by the insurance company to the various properties); (7) the granting of an indemnity to the controlling shareholder and/or his relative as specified in Chapter 9 of the Prospectus and a new indemnity notice, as may be updated, if updated, in accordance with the Companies Law and the regulations thereunder as they shall be from time to time and entering into a directors and officers insurance policy as is accepted.

The Company will submit to the Trustee certification from the chief financial officer in the Company, within two working days from the date of publication of any financial statements, quarterly or annually, as applicable, that no special transactions, as stated in this section 5.6 above, were performed without obtaining the permission of the holders of Debentures (Series A). If the certification stating that no special transactions were performed without obtaining the permission of the holders of Debentures (Series A), as specified in this section 5.6 above, is part of the Board of Directors Report included in the quarterly report or annual report of the Company, this certification in the report will be considered as delivery of the certification to the Trustee and the Company will not be required to submit specific certification to the Trustee as stated above.

In this section – "**controlling shareholder**" and "**control**", are within their meaning in the Securities Law, "**irregular transaction**" – within its meaning in the Companies Law.

5.7 **Interest cushion**

A. The Company shall transfer an amount equal to the first interest amount that is expected to be paid to the Debenture Holders (hereinafter: the "**First Interest Cushion Amount**") to the Trustee by transfer of the First Interest Cushion Amount from an account in the name of the issue coordinator in which the proceeds of the issue shall be kept in a bank account opened by the Trustee and in his name solely

in trust for Debenture Holders (Series A) (hereinafter: the "**Interest Cushion Account**"). The transfer of funds shall be made in accordance with the provisions specified in section 6.7.2 below.

B. Signatory rights in the Interest Cushion Account shall be assigned solely to the Trustee. Without derogating from the provisions in this subsection above, the Trustee shall invest the funds in the Interest Cushion Account in accordance with the provisions set forth in section 17 of the Deed of Trust.

C. If on the morning of the 2nd day of each calendar month after the payment date of any interest, and in the event the said day is not a business day then on the following business day (hereinafter: "**Cushion Completion Dates**") the amount deposited in the Cushion Interest Account is lower than the near payment of interest, the Company shall transfer to the Cushion Interest Account an amount equal to the amount required for the purpose of equalizing the amounts deposited in the Cushion Interest According to on the Cushion Completion Date (hereinafter: "**Current Cushion Amount**") within 4 business days from the date of the completion of the cushion.

D. It is clarified that in the event the Debenture Series (Series A) is extended in the future, the Company shall deliver to the Cushion Interest Account, as a condition for the extension and before transferring the proceeds of the extension to the Company, the funds that shall constitute the relative share in the Cushion Interest Amount for the additional Debentures that were issued as part of the extension of the said Series or the difference that is required so that the amount deposited in the interest cushion account is equal to the next interest payment after the date of the said series expansion.

E. It is clarified that in the event of entitlement to the additional interest rate, as defined, in section 5.2 and/or 5.3 above is applicable, the Company shall deposit the funds that shall constitute the Cushion Interest Amount in the Cushion Interest Account in respect of the updated interest rate (namely, plus the additional interest rate) or the required difference so that the Cushion Interest Account shall have an amount that is equal to the interest payment amount shortly after the said interest update date, whichever is lower, within 4 business days of the date of publishing an Immediate Report about a change in the said interest rate.

F. It is clarified that failure to deposit funds in the Cushion Interest Account within 14 business days of the relevant date, whether as part of the first shelf proposal or following the occurrence of events as specified in section 5.8 shall give rise to grounds to call for immediate repayment of the balance of Debentures (Series A) in circulation as specified in section 8.1.32 hereunder.

G. To dispel any doubt it is clarified that the undertakings of the Company to transfer the funds to the Cushion Interest Account shall not be secured by a mechanism that will assure performance of this undertaking. In the event that the Company fails to meet its undertakings to transfer the funds to the Cushion Interest Account, the Trustee shall not have the ability to prevent this violation but shall take all measures granted to him by law and in accordance with the Deed of Trust, to enforce on the Company the performance of its undertaking retroactively.

H. On the final payment date of the Debentures (Series A) all funds that are kept in the Cushion Interest Account, except for the expense cushion as defined in section 5.9 below, (with deduction of expenditures and commissions) shall be transferred by the Trustee directly to the Nominee Company for the purpose of the said final repayment, subject to obtaining the prior approval of the Company regarding the amount required to supplement the payment of the said Debentures and transfer of the said amount by the Company to the Nominee Company concurrently. This section will be regarded as an irrevocable instruction by the Company to transfer the said funds to the said nominee company.

I. It is clarified that the first Cushion Amount and the current interest amount, including yield accrued thereon shall be held by the Trustee in trust for the Debenture Holders (Series A). The Company shall have no rights or claims with respect to the said amounts and under no circumstances shall the Company be entitled to receive the said amounts. In addition to the foregoing, the Company declares that all of the rights in the interest cushion account and the funds to be deposited therein are the rights of the holders of the Debentures only, and it hereby irrevocably waives any right that it will have, if any, in connection with the interest cushion account and funds deposited therein.

5.8 **Expenditure cushion**

Without derogating from the provisions set forth in section 26 of the Deed of Trust, an amount equal to $100 thousand (according to the representative dollar rate on the first trading day after the tender date) shall be deposited out of the net proceeds of the issue in the Trust Account (as defined in section 6.1 hereinabove) that shall serve for the purpose of paying the current expenditures and the administration expenditures of the Trustee in the event the Debenture Holders (Series A) are called for immediate repayment and/or in the event that the Company has violated the provisions of the Deed of Trust (hereinabove and hereinafter: "**Expenditure Cushion**"). The Expenditures Cushion amount shall be kept in the Cushion Interest Account until the full and final payment of the Debenture Holders (Series A). After obtaining the approval of the chief financial officer in the Company regarding the full repayment of all Debentures (Series A) the Expenditures Cushion (together with all yield accrued thereon), to the extent it was unused, shall be transferred to the Company in accordance with the details provided by the Company.

In the event the Expenditures Cushion amount is insufficient for covering the expenditures of the Trustee in connection with the calling for immediate repayment of the Debentures (Series A) and/or the violation of the provisions of the Deed of Trust, the Trustee shall act in accordance with the provisions set forth in section 26 hereunder.

5.9 **Sector and region of activities**

As of the date of this Deed, the Company's operating sectors are (a) promotion, construction, development and sale of real estate for sale in Canada; (b) acquisition of holdings and improvement of real estate (including land), as well as the acquisition and operation of income-producing properties in Canada, and (c) holding of geothermal installations in real estate properties in Canada (hereinafter: the "**Sectors of Activity**").The Company undertakes not to operate in the sectors of activity or other sectors of activity outside Canada.

The Company undertakes to operate in the segments of operation in the Greater Toronto Area, Canada only.

5.10 **Appointment of a representative of the Company in Israel**

The Company undertakes to appoint a representative of the Company in Israel (hereinafter: "**Representative of the Company in Israel**") within 90 days as of the date of issue of the Debentures (Series A) to whom court processes to the Company and/or officers thereof may be passed to the address stated in the preamble hereto. A serving to the Company Representative in Israel shall be deemed as valid and binding in connection with any claim and/or demand of the Trustee and/or the Debenture Holders (Series A) in accordance with this Deed of Trust. The Company shall be entitled to replace the Company Representative in Israel from time to time.

At the time of the appointment and replacement of the Company Representative in Israel, the Company shall report his details in an Immediate Report and shall deliver notice to the Trustee in respect thereof. In the event of the appointment of a new representative, the Immediate Report and the notice to the Trustee shall in addition include the date on which the appointment of the new representative becomes effective.

Until the appointment of the Company Representative in Israel as specified above (and only until that time) the address of the Company in Israel shall be as specified in the preamble to this Deed of Trust.

6. **Collateral and undertakings**

6.1 **Definitions**

In this section 6 the following terms will have the meaning placed alongside them, unless a contrary intention is implied from the content or context thereof:

6.1.1 "**Lawrence Property** Urbancorp (Lawrence) Inc.

Company"

6.1.2	**"Mallow Property Company"**	Urbancorp (Mallow) Inc.
6.1.3	**"Patricia Property Company"**	Urbancorp (Patricia) Inc.
6.1.4	**"Caledonia Property Company"**	Urbancorp St Clair Village Inc.
6.1.5	**"Downsview Property Company"**	Urbancorp Downsview Park Development Inc.
6.1.6	**"Subsidiaries"**	Lawrence Property Company, Mallow Property Company, Patricia Property Company, Caledonia Property Company and Downsview Property Company.
6.1.7	**"Lawrence Project"**	Real estate development project (land reserve), consisting of 88 townhomes with a total saleable area of 236,478 sq. ft. (total land area of the project is 324,633 sq. ft.).
6.1.8	**"Mallow Project"**	Real estate development project (land reserve), consisting of 39 townhomes with a total saleable area of 109,280 sq. ft. (total land area of the project is 134,402 sq. ft.).
6.1.9	**"Patricia Project"**	Real estate development project (land reserve), consisting of 39 townhomes with a total saleable area of 126,690 sq. ft. (total land area of the project is 119,361 sq. ft.).
6.1.10	**"Caledonia Project"**	Real estate development project under planning, consisting of 41 residential semi-detached townhomes with an area of 118,300 sq. ft.
6.1.11	**"Downsview Project"**	Company's share (51%) of three development projects under planning: a. Downsview Phase I – 491

townhomes with a total saleable area of 769,763 sq. ft.;

b. Downsview Blocks A & P – 473 townhomes with a total saleable area of 367,166 sq. ft.;

c. Downsview 29 Lots – consisting of 60 townhomes with a total saleable area of 168,000 sq. ft.

6.1.12	**"Backup Projects"**	Lawrence Project, Mallow Project, Patricia Project, Caledonia Project and Downsview Project. For details of the Patricia, Mallow, Lawrence, Caledonia and Downsview Projects, including details of the Surplus of the said projects, see section 7.1.8.2 of the Prospectus and Part Five of the Board of Directors Report attached to Chapter 7 of the Prospectus. The management format of such projects in Ontario is specified in section 8.1.2 (7a) of the Prospectus.
6.1.13	**"Liability value of the debentures"**	At any time, the unpaid principal of the Debentures plus accrued interest (including arrears interest), in accordance with the terms of the Debentures, that has yet to be paid in practice.
6.1.14	**"Dedicated account"**	An account of the Company to be opened in a bank in Israel with an AA or higher rating, in which the full rights of the Company thereto will be pledged in favor of the Trustee, as set forth in section 6.4 below. In the Dedicated Account, the amount designated for Owners Loans (as specified in section 6.7.2 below) will be deposited first, from wherein the Owners Loans will be provided (as specified in section 6.1.15 below), and thereafter the Surplus will be deposited therein (as specified below in section 6.1.20) including repayments of Owners Loans.
6.1.15	**"Owners loans"**	Loans which will be provided by the Company to the Subsidiaries from the proceeds of the Debenture issue, pursuant to this Deed, that will serve as working capital (full or partial) in the relevant Backup Project of that subsidiary, including by way of repayment of the loan taken to finance

		the working capital of that project. The amount of the Owners Loan will be equal to the net proceeds of the issue, net of the transfer tax amount (as specified in section 6.2 of the Prospectus), the interest cushion and the expenditure cushion (as specified in sections 5.7 and 5.8 of the Deed of Trust), however, not exceeding $46 million. The full rights of the Company pursuant to the Owners Loans will be pledged in favor of the Trustee. The terms of the Owners Loans, including the repayment terms of the principal and interest for the said loans, will be as specified in section 6.5 below. The Owners Loans will be repaid from time to time, as specified in section 6.5 below, and the aforementioned pledge will apply to the balances of the Owners Loans, as they will be from time to time, without requiring the amendment of the lien on the Owners Loans.
6.1.16	**"Trust Account"**	A Trust Account to be opened by the Trustee in its name in a bank in Israel with an AA or higher rating in favor of the holders of Debentures (Series A) and in favor of the Company.
6.1.17	**"Canadian Legal Counsel"**	Legal counsel (one or more lawyers) from the law firm of Harris, Sheaffer LLP, located in Ontario, Canada or another law firm hired by the Company and/or the Subsidiaries on their behalf that is recognized as a leading law firm in the field of real estate in the District of Ontario, Canada. The Canadian Legal Counsel will serve as the Trustee for receiving all of the revenue for the housing units (deposits and final payment) in connection with any of the Backup Projects (except for the

Downsview Project) in the Trust Account managed thereby, wherein it is the sole authorized signatory for the release of the said revenues from the said account. The Canadian Legal Counsel will act to release the Surplus of the Backup Project to the Dedicated Account in accordance with the instructions of the Inspector only, in accordance with reports to be submitted by the Inspector on a monthly basis until the end of the project, and the Inspector will have no discretion in connection with the release of the Surplus.

6.1.18 **"Inspector"** The Advisor/Inspector (one or more) contracted by the Subsidiaries that is appointed by the financing lenders to the Backup Project, to supervise the project budget. It should be noted that the Inspector will remain in office until the end of the project (even after payment of the liabilities to the lenders) or until after redemption of the outstanding balance of the Debentures, whichever is earlier, and will submit monthly reports to the Canadian Legal Counsel. It should be clarified that the term "Inspector" refers to the Subsidiaries except for the Downsview Property Company which is managed by Mattamy.

It should be clarified that the Inspector does not have any obligation to the holders of the Debentures and/or the Trustee, only to the Subsidiaries. It should further be clarified that the Inspector's reports are prepared for the use of the Company, the financing lenders and the Canadian Legal Counsel and/or Mattamy, and these will not be published or otherwise made available to the Trustee. The Trustee

		does not have the ability to ensure that the Subsidiary will communicate with the Inspector and it relies in this respect on the irrevocable notice of instructions of the Canadian Legal Counsel as specified in section 6.3.2 below, which will instruct the release of the Surplus in the Backup Project (excluding the Downsview Project) to the Dedicated Account in accordance with the Inspector's instructions only.
6.1.19	"**Mattamy**"	Mattamy Homes, the Company's partner in the Downsview Project which manages the Downsview Project in accordance with section 7.8.6.2 A of the Prospectus.
6.1.20	"**Surplus**"	The funds which each of the Subsidiaries will be entitled to receive, in practice, in respect of the Backup Projects during the construction of the Backup Project and/or on the completion of construction and population of the Backup Project following the payment of all debts to the lenders financing the relevant project, with respect to that project, including working capital, as defined below, which the Company and/or the Subsidiaries provided and/or will provide in favor of the Backup Project, and earnings derived thereto from the Backup Project, except for funds designated for compulsory payments, including payments of taxes and levies, payments to service providers, suppliers or subcontractors, which will provide the Subsidiaries with services in respect of the Backup Project, undertakings to the purchasers of units in the project, management fees and project overheads which will be paid by the Subsidiaries, except for pending and future expenses which in the reasonable opinion of the

		Inspector are required to be held as a reserve, all in accordance with the budget of the project which will be administered by the Inspector (hereinafter: the "**Permitted Amounts**"). In addition, the Surplus will include all funds which will be due to the Company and/or the Subsidiaries in the event of the sale of a Backup Project, partly or wholly, except for the amounts required for the payment of all debts to the lenders financing the relevant project, with respect to that project, plus the Permitted Amounts. In this regard it should be clarified that the Company and/or the Subsidiaries will be permitted, at any time, at their sole discretion, without obtaining the approval of the Trustee and/or the holders of Debentures to sell one or more of the Backup Projects, provided that the proceeds due to the Company will be transferred to the Designated Account.
6.1.21	"**Working capital**"	In this matter: the funds invested by the Company and/or the Subsidiaries in the Backup Project, whether by way of a loan (including Owner Loans that will be provided from the proceeds of the issue as specified in section 6.5 below) or by way of a capital investment.

6.2 To secure the full and accurate fulfillment of all Company obligations pursuant to the terms and conditions of Debentures (Series A), including to secure the full and accurate payment of all the principal and interest payments to be paid by the Company to the holders of Debentures (Series A); the Company will create the liens specified below:

6.2.1 A fixed, exclusive first lien, unlimited in amount, on the Dedicated Account, as specified above and set forth in section 6.4 below;

6.2.2 A fixed, exclusive first lien, unlimited in amount, of the full rights of the Company, under the Owners Loans as specified above, for as long as the Owners Loans have not been repaid by the Subsidiaries. The terms of the Owners Loans, including the repayment terms, shall be as set forth in section 6.5 below;

The liens specified in sections 6.2.1 to 6.2.2 above shall be referred to collectively as the "**Liens**".

The rights of the Company in the Dedicated Account and all the funds and/or deposits and/or securities to be deposited from time to time in the Dedicated Account and any proceeds received in respect thereof, including the yields thereto and the rights of the Company pursuant to the Owners Loans will hereinafter be referred to as the "**Pledged Assets**".

6.3 In addition, the Company undertakes to provide the Trustee, and to cause the Subsidiaries (as applicable) to provide the Trustee, with the following documents and undertakings:

6.3.1 An irrevocable notice of instructions to the Subsidiaries, worded to the satisfaction of the Trustee, signed by the Company and confirmed by the Subsidiaries, whereby as long as the outstanding balance of the Debentures has not been repaid: (1) Any amount which the Subsidiaries will be entitled to receive from the Surplus will first be used to repay Owners Loans; (2) Any Surplus funds which the Company and/or the Subsidiaries will request to withdraw, including with respect to repayment of the Owners Loans, will be transferred only to the Dedicated Account, and not to any other destination; (3) To only use the funds of the project, for payment of the permitted deductions (as specified in section 6.1.20 below) in accordance with the instructions of the Inspector; (4) To notify the Trustee of any change in the identity of the Canadian Legal Counsel; (5) In accordance with the Owners Loans agreements, not to delay and/or offset any amount of their debt against a debt or undertaking of the Company of any kind.

6.3.2 Regarding the Backup Projects except for the Downsview Project – an irrevocable notice of instructions to the Canadian Legal Counsel, with wording acceptable to the Trustee, signed by the Company and its Subsidiaries and certified by the Canadian Legal Counsel , whereby as long as the outstanding balance of the Debentures have not been paid: (1) All the Surplus funds deposited in the hands of the Trustee which the Company and/or the Subsidiaries request to withdraw, including repayments on Owners Loans, will be transferred only to the Dedicated Account and not to any other destination; (2) Not to transfer funds from sales deposited in the hands of the Trustee except in accordance with the Inspector's instructions; (3) To notify the trustee of any event in which the Canadian Legal Counsel is replaced by another entity which will have the rights to instruct the withdrawal of such money

6.3.3 Regarding the Downsview Project – An irrevocable notice of instructions to Mattamy, with wording acceptable to the Trustee, signed by the Company and approved by Mattamy, whereby as long as the outstanding balance of the Debentures have not been paid: (1) All the Surplus funds to be managed by Mattamy which the Company and/or the Downsview Property Company (through which the Company's share of the project is held) request to withdraw in accordance with the partnership agreement with Mattamy and in accordance with ,

the waterfall distribution set forth in the partnership agreement in the Downsview Project, including for the repayment of the Owners Loans, will be transferred only to the Dedicated Account and not to any other destination; (3) To notify the Trustee of any event in which Mattamy has ceased to manage the Downsview project or any event of the sale of its share in the Downsview Project.

For the removal of doubt, it should be clarified that the Trustee has no interest and shall have no interest and/or ability to control and/or influence the management of the Backup Projects and/or the budgets of the Backup Projects, including changes to the budgets of the project and/or withdrawal of funds from the revenue of the Backup Projects. Pending full repayment of the Subsidiaries' obligations to third parties in connection with the Backup Projects, the Canadian Legal Counsel and/or Mattamy will not be required to transfer the Surplus **funds in the Backup Projects, wholly or partly, to or in the name of the Subsidiaries.**

6.3.4 An opinion of the Canadian Legal Counsel, addressed to the Trustee, concerning the manner of the creation of each of the aforementioned liens, specifying the required documents and required resolutions from the Company for the creation of the liens and the registration thereof under the law applicable to the Company. The opinion shall also specify the manner and method of exercising of each of the liens under the relevant law. The Trustee will rely on the aforementioned instructions by the Canadian Legal Counsel without being required to verify them. The opinion will include an instruction to the Trustee regarding which confirmations or documents it is to receive each year to verify the validity of the liens in accordance with the law under which they were registered and/or created. The Trustee will rely on the instructions of the Canadian Legal Counsel without being required to verify them.

6.3.5 Confirmation from the Canadian Legal Counsel that the Company and the Subsidiaries (as applicable) have passed all the required resolutions to create the liens (as applicable), and that the authorized signatories on behalf of the Company and/or the Subsidiaries have signed all the documents required for the creation and registration of these liens, and that the liens have been duly registered and are valid and enforceable. The relevant lien documents will be attached to the confirmation of the Canadian Legal Counsel.

6.3.6 The Company's notification to the Bank in which the Dedicated Account will be opened regarding the authorized signatories in the Dedicated Account, jointly held by the Company and the Trustee, as well as the confirmation of the bank that it will not amend the authorized signatories in the Trust Account without the prior written consent of the Trustee.

6.3.7 Confirmation from the Bank in which the Dedicated Account will be managed, with wording acceptable to the Trustee, regarding the waiver of all lien and offset rights in the Dedicated Account.

6.3.8 The original declaration, with wording acceptable to the Trustee, of the CEO of the Company and/or the Subsidiaries, as applicable, the chief financial officer or other senior officer of the Company and/or the Subsidiaries, as applicable, certified by a lawyer, in accordance with which, inter alia, the relevant lien is not in contradiction to the other liabilities of the Company and/or the relevant subsidiary, as applicable.

6.4 **The Dedicated Account**

6.4.1 **The Lien** – A fixed, exclusive first lien, unlimited in amount, in favor of the Trustee, on the full rights of the Company to the Dedicated Account, including sub-accounts and all funds and/or deposits and/or securities to be deposited from time to time into the Dedicated Account and any proceeds received therefrom, including the yields thereof. Above and hereinafter the "**Dedicated Account**" is a bank account to be opened by the Company in the Company's name in a bank in Israel. Immediately following the publication of the Prospectus, the Company will open the Dedicated Account and will register the lien on the Dedicated Account in favor of the Trustee in the Registry administered by the Registrar of Liens in Israel, and in accordance with the opinion of Canadian Legal Counsel. The Trustee and the Company will co-operate and will sign all the documents required for creating and/or registering the lien on the Dedicated Account; the Trustee will be awarded signatory authorization in the Dedicated Account as set forth in section 6.4.2 below.

6.4.2 **Signatory authorization in the Dedicated Account and manner of investment of funds** – The Trustee, together with any person designated by the Company, will be an authorized signatory of the Dedicated Account, such that any withdrawal of funds from the Dedicated Account will require a signature by the Company on the one hand and the Trustee on the other hand; however, the policy regarding the investment of the funds in the Dedicated Account and the implementation thereof will be at the sole discretion of the Company and will be carried out solely by the Company, provided that such investment is in solid investment channels including Government Debentures, Treasury Notes, NIS deposits etc. and the Trustee will not be entitled to object thereto and will not be liable to the holders of Debentures (Series A) and/or to the Company for any loss incurred by such investments. The Company will ensure that the Trustee has online viewing access to the account.

6.4.3 **Designation of funds in the Dedicated Account** – The Company will not be entitled to use the funds accrued (after provision of the Owners Loans from the amount designated for Owners Loans as specified in section 6.7.2 below) in the Dedicated Account, except for the payments of principal and interest to the holders of Debentures (Series A) (including in the event of immediate redemption of the Debentures) and/or implementation of early redemption of Debentures (Series A). The Company will not be entitled to use the funds in the Dedicated Account to purchase securities issued by the Company and/or by a Company related thereto. It should be noted that any balance remaining in the Dedicated Account following

the payments of principal and interest to the said holders of Debentures will be transferred immediately to the Company.

6.4.4 Subject to the provisions of section 6.4.8 below, the Company undertakes and will cause the Subsidiaries to undertake to transfer to the Dedicated Account 100% of the Surplus, as defined below, which are expected to arise from each of the Backup Projects, up to the liability value of the Debentures.

6.4.5 For the removal of doubt, it should be clarified that the Trustee is not required to obtain, review, check and/or verify the financing agreements of the Backup Projects and/or the budgets of the Backup Projects and/or the calculations of the financing bank, the Company and/or the Subsidiaries in connection with the Surplus. It should be noted that, in this matter, the Trustee is not authorized to intervene in the relationship between the Company and/or the Subsidiaries and the financing banks and/or their calculations.

It should be noted that the undertaking by the Company and by the Subsidiaries to transfer funds into the Dedicated Account is a contractual obligation without any collateral and without any priority vis-a-vis third parties and this is not secured by any effective and/or legal arrangement whereby the Trustee can ensure the implementation of this undertaking in advance.

It should be noted that the revenue from the sale of housing units which will be deposited with the Canadian Legal Counsel and/or the Surplus **amounts which will be held by Mattamy, as applicable, are not pledged in favor of the Trustee and it is therefore possible that third parties will claim rights to the deposited amounts in the account or the amounts to be deposited in the account**. In addition, the said undertaking is not protected from the pledge and/or offset and/or lien rights granted to the financing bank with respect to the liabilities of the Subsidiaries thereto in connection with the Backup Projects and/or from third-party rights, including attachments.

6.4.6 In the event that the Company and/or the Subsidiaries and/or the Canadian Legal Counsel and/or Mattamy fail to comply with their undertakings to transfer funds to the Dedicated Account, the Trustee will not be able to prevent this breach of undertaking in advance, except for taking the steps available to the Trustee by law or pursuant to the Deed of Trust, in order to retroactively compel the Company and the Subsidiaries to comply with their undertakings.

6.4.7 **For the removal of doubt, it should be clarified that the Trustee has no interest and/or ability to control and/or influence the management of the Backup Project and/or the Downsview Project budgets, including changes to the budgets of the projects and/or withdrawal of funds from the revenue of the Backup Projects.**

6.4.8 Notwithstanding the foregoing in section 6.4.5 above, after the Trustee receives the confirmation of the chief financial officer of the Company or the confirmation of the Accountant of the Company, that on the said date, the total funds deposited in

the Dedicated Account are equal to 100% of the liability value of the Debentures together with the amounts of the future interest payments up to the final redemption date of the Debentures (net of amounts deposited in the interest cushion account) up to the end of the life-term of the Debentures, then as of such date the Company and/or the Subsidiaries will not be required to transfer any additional Surplus funds to the Dedicated Account and any Surplus funds due to the Company and/or to the Subsidiaries from the Backup Projects, in excess of funds already deposited into the Dedicated Account, will be transferred to an account designated by the Company or by the Subsidiaries which the Company or the Subsidiaries will operate for their use at their sole discretion. In such a case, the Company will provide the Trustee, on each Debenture payment date (principal and/or interest) with a detailed calculation, signed by the chief financial officer of the Company with regard to the liability value of the debentures, and if this calculation shows that on this date, the amount deposited in the Dedicated Account is less than 100% of the value of the liability and the future interest payments, as specified above, the Company undertakes to redeposit Surplus funds, as specified in this Deed, into the Dedicated Account until the amount is equal to 100% of the value of the liability plus the future interest payments, as specified above. It should be noted that the Company will provide the Trustee with any data or calculation required by the Trustee to enable the Trustee to verify the accuracy of the Company calculations on this matter.

6.5 Terms of Owners Loans

Loan agreements with the Subsidiaries shall include the following provisions:

6.5.1 The Owners Loans will be provided to the Subsidiaries by the Company with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures to be issued pursuant to the Prospectus. The Owners Loans (principal and interest) will be repaid two business days prior to the final repayment date of the principal of the Debentures.

6.5.2 Owners Loan funds will be provided to the Subsidiaries from time to time, from the Dedicated Account, in accordance with agreements that will be signed from time to time, and after the relevant Owners Loans and Surplus funds have been pledged in accordance with the terms of this Deed.

6.5.3 Owners Loan funds will be used by the Subsidiaries to provide working capital for the Backup Projects and/or to repay financing loans provided to the Backup Projects.

6.5.4 The Subsidiaries will be entitled to repay amounts, by early redemption, into the Dedicated Account, on account of the Owners Loans.

6.5.5 Owner Loan agreements will include an undertaking by the Subsidiaries that any amounts which they will be entitled to withdraw as project profits will first be used to repay Owners Loans and accordingly if the date on which the Subsidiaries will be entitled to withdraw the said project profits is prior to the maturity date of the

Owners Loans, the Subsidiaries will implement an early redemption of the Owners Loans in the full amount they are entitled to withdraw.

6.5.6 Any change in the terms of the loan agreements, as specified above, will be subject to approval by the General Meeting of Debenture Holders by an ordinary majority or approval by the Trustee, provided that such change will not damage the rights of the Debenture holders.

6.5.7 All the interests of the Company pursuant to the Owners Loan agreements will be pledged in favor of the Trustee on behalf of the holders of Debentures (Series A), in accordance with the terms of this Deed of Trust. Each of the Subsidiaries shall undertake that upon receiving notice from the Trustee, that the Debenture holders have cause to call for immediate repayment of the Debentures or for exercise of collateral, it will transfer all payments with respect to the Owners Loans directly to the Trustee, as instructed by the Trustee.

6.5.8 The Subsidiaries will not be entitled to withhold and/or offset any amount of their debt pursuant to the Owners Loan agreements against any debt or liability of any kind to the Subsidiaries.

6.5.9 Any provision which reduces the amount of the loan amount will not be valid, except against the said repayments amounts and dates as specified above in this section only.

6.5.10 The Subsidiaries, through the Canadian Legal Counsel, will transfer all payments in connection with Owners Loans directly into the Dedicated Account and/or directly to the Nominee Company, for the purpose of repayments to the Debenture holders.

6.6 <u>General provisions with regard to pledging of the pledged assets</u>

6.6.1 In contracting the Deed of Trust and in the Trustee's consent to serve as Trustee for the Debenture holders, the Trustee does not explicitly or implicitly its opinion regarding the Company's ability to fulfill its obligations towards the Debenture holders. For the removal of doubt, it should be noted that the Trustee is not required to review, and in practice the Trustee has not and will not review the need to provide collateral to secure payments to the Debenture holders. The Trustee was not required to and in practice did not conduct a financial, accounting or legal due diligence process with regard to the business situation of the Company or the Subsidiaries. The foregoing does not derogate from the Trustee's obligations by law and/or pursuant to this Deed of Trust, and shall not derogate whatsoever from the Trustee's obligation (if applicable to the Trustee by law) to review the effect of changes in the Company from the issue date of the Debentures and thereafter, if such changes may negatively impact the Company's ability to fulfill its obligations to the Debenture holders.

6.6.2 It should be noted that the provisions of this section 6.6.2 shall not prevent the Company and/or the Subsidiaries from registering any liens in favor of third parties on their assets, except on the assets pledged under this Deed, subject to the

undertaking of the Company not to pledge all of its property (only that held directly thereby) under a general floating pledge as specified in 6.10 below, and the Company and/or the Subsidiaries will be entitled to register and/or undertake to register liens of any kind and rank and/or to confer other rights of any kind or type on the buildings and/or the land included in a Backup Project and on agreements contracted during the construction of any Backup Project, except with respect to the Surplus.

6.7 Transfer of the issue proceeds to the Dedicated Account

6.7.1 The issue proceeds to be received by the Issue Coordinator in connection with the issue of the Debentures, following the payment of the issue expenses including commissions to distributors (hereinafter: the "**Net Issue Proceeds**") will be transferred by the Issue Coordinator as follows:

6.7.1.1 An amount equal to the payment of the land transfer tax specified in Chapter 6 of the Prospectus will be transferred directly to the Company account (hereinafter: the "**Unconditional Proceeds**").

6.7.1.2 The balance of the net issue proceeds (namely, the net issue proceeds, net of the unconditional proceeds) (hereinafter: the "**Proceeds Held in Trust**") will be transferred in full, together with any gains thereto, to the Trust Account immediately upon receipt thereof. The Company will provide instructions to the Trustee with regard to the manner of investment of the net issue proceeds to be deposited into the Trust Account, in accordance with the provisions of section 17 of the Deed of Trust, and the Trustee shall act in accordance with such instructions. If the Trustee acts in the abovementioned manner, the Trustee will not be liable to the Debenture holders and/or to the Company for any loss incurred by such investments. Pending receipt of the said instructions of the Company, the aforementioned funds will be deposited in a daily NIS deposit. The Company will be liable for any fees associated with the opening, managing and closing of the issue proceeds account. The deposit of the net issue proceeds in the Trust Account will be considered as transfer of such proceeds to the Company, and based on such the Company will request the TASE to list the Debentures for trading.

6.7.2 Upon delivery of all the documents specified in subsections 6.7.2.1 - 6.7.2.6 below to the Trustee, the Trustee will transfer the proceeds held in trust in accordance with the following: (1) The amounts in respect of the interest cushion and the expenditures cushion (as specified in sections 5.7 and 5.8 of the Deed of Trust, respectively) will remain in the Trust Account; (2) An amount equal to the proceeds held in trust, net of the cushion amounts pursuant to subsection (1) above up to a total of $ 46 million will be transferred to the Dedicated Account ("**Amount Designated for Owners Loans**"); (3) Any remaining balance of the proceeds held in trust, net of the amounts pursuant to subsection (1) and (2) above

will be transferred to the Company in accordance with its instructions. And the following are the documents:

6.7.2.1 The original certification, with wording acceptable to the Trustee, by the Company CEO, chief financial officer or other senior officer, confirmed by an attorney, whereby, *inter alia*, the lien on the Dedicated Account is not in contradiction of the other undertakings of the Company,

6.7.2.2 The original certification from the Registrar of Liens attesting to the registration of the lien on the Dedicated Account

6.7.2.3 The opinion of the Canadian Legal Counsel, addressed to the Trustee, as specified in section 6.3.4 above in connection with the lien on the Dedicated Account.

6.7.2.4 The confirmation of the Canadian Legal Counsel, addressed to the Trustee, as specified in section 6.3.5 above in connection with the lien on the Dedicated Account.

6.7.2.5 The Company's notification to the Bank in which the Dedicated Account will be opened with respect to the authorized signatories of the Dedicated Account, which will be held jointly by the Company and the Trustee, as well as confirmation from the bank that no change will be made to the authorized signatories of the Trust Account without the prior written consent of the Trustee.

6.7.2.6 Confirmation from the Bank, with wording acceptable to the Trustee, in which the Dedicated Account will be opened with respect to waiver of all lien and offset rights in the Dedicated Account.

6.7.3 In the event that the lien on the Dedicated Account is not registered within 120 days of the issue date, the Company will act to implement a full early redemption of Debentures (Series A) and to delist these Debentures from trading. Furthermore, subject to an ordinary resolution by the Debenture holders passed at a General Meeting of Debenture Holders, it will be possible to extend the period to create and/or register the lien on the Dedicated Account beyond the aforementioned period.

One business day after the end of the aforementioned period (120 days or a later date approved by the General Meeting of Debenture Holders, as noted above, as applicable), the Company will publish an Immediate Report, with a copy to the Trustee, announcing the date of such full early redemption. The date of the full early redemption will be no less than seventeen (17) days and no more than forty-five (45) days after the report by the Company to the Debenture holders of the full early redemption. In such a case, the principal of the Debentures (Series A) plus annual interest at the original interest rate determined in the tender accrued for the period starting on the first trading day after the subscription list closing date and up to the date of the full early redemption, will be payable to the holders of Debentures (Series A) net of any statutory tax.

In the said Immediate Report, the Company will publish the amount of the principal to be paid in the early redemption as well as the accrued interest with respect to this principal amount up to the early redemption date. The Company undertakes to transfer into the Trust Account, no later than 3 business days prior to the early redemption payment date, an amount equal to the difference between the funds deposited in the Trust Account at that time and the amount payable to holders with respect to the early redemption. The Company will be liable for taking all action required by law to implement the early redemption, including with the TASE clearinghouse, and will provide the Trustee in a timely manner with all the documents and confirmations required by the latter to complete this transaction. For the removal of doubt, concurrent to the implementation of the full early redemption, the Company will no longer be required to register any liens in favor of the holders of Debentures (Series A), and this Deed of Trust shall expire and be null and void.

The Trustee will transfer to the Company any remaining balance, if remaining, in the Trust Account following the full early redemption.

6.8 Transfer of funds from the Dedicated Account to the Subsidiaries

6.8.1 The Company will provide Owner Loans funds to the Subsidiaries, from time to time, from the amount designated for Owners Loans (as specified is section 6.7.2 above) which will be deposited in the said Dedicated Account and the Trustee shall confirm such, upon delivery of all the documents specified in subsections 6.8.1.1 – 6.8.1.9 below to the Trustee.

The amount to be transferred from the Dedicated Account for the purpose of providing an Owners Loan to the relevant subsidiary, which will be included in the relevant Owners Loan agreement, will be determined by the Company at its discretion and the Trustee will rely on the instructions of the Company and the provisions of the said Owners Loan agreement on this matter and since the Trustee does not have the ability to ensure that this is the amount required to provide working capital and/or repayment of the loan taken for financing, it will not perform any examination in this matter.

It should be clarified that the Trustee does not have the ability to ensure that the relevant subsidiary will make use of the funds of the Owners Loan in that company for the purpose of providing working capital for a project of that Subsidiary as stated under the definition of the Owners Loans in section 6.1.15 above, therefore, in this matter, the Trustee will rely on the declaration in section 6.8.1.2 below without the need to perform any examination

6.8.1.1 A certified copy of the Owners Loans agreements signed by the Company and the Subsidiaries, under the terms specified in section 6.5 above.

6.8.1.2 The original declaration of the CEO of the relevant Subsidiary, the chief financial officer or other senior officer of the relevant Subsidiary, certified by an attorney, whereby the purpose of the loan to the Subsidiary is for the purpose of working capital (full or partial, while indicating the additional source for the provision of the balance of the working capital for that project) for the relevant Backup Project or repayment (full or partial) of the loan taken to finance the working capital of the project.

6.8.1.3 The original declaration, with wording acceptable to the Trustee, of the CEO of the Company, the chief financial officer or other senior officer, certified by an attorney, whereby, inter alia, the lien on the Owners Loans is not in contradiction to the other undertakings of the Company.

6.8.1.4 Irrevocable notice of instructions, with wording acceptable to the Trustee, to the Subsidiaries, with the implication specified in section 6.3.1 above, signed by the Company and confirmed by the Subsidiaries.

6.8.1.5 Irrevocable notice of instructions, with wording acceptable to the Trustee, to the Canadian Legal Counsel, with the implication specified in section 6.3.2 above, signed by the Company and confirmed by the Canadian Legal Counsel.

6.8.1.6 Irrevocable notice of instructions to Mattamy, with wording acceptable to the Trustee, with the implication specified in section 6.3.3 above, signed by the Company and confirmed by Mattamy.

6.8.1.7 The opinion of the Canadian Legal Counsel, addressed to the Trustee, with the implication specified in section 6.3.4 above in connection with liens on Owners Loans.

6.8.1.8 The confirmation of the Canadian Legal Counsel that the Subsidiaries have passed all the required resolutions for the purpose of undertaking the relevant Owners Loan agreement and that the said agreement is not in contradiction with the Articles of Association of that Subsidiary.

6.8.1.9 The confirmation of the Canadian Legal Counsel that the Company has passed all the required resolutions to create the lien on the Owners Loans and that the authorized signatories on behalf of the Company and/or the Subsidiaries, as applicable, have signed all the documents required for the creation and registration of the said liens and that the liens on the Owners Loans have been duly registered and are valid and enforceable towards third parties. The relevant lien documents will be attached to the confirmation of the Canadian Legal Counsel.

It should be clarified that the provision of the Owners Loans from the funds in the Dedicated Account may be implemented incrementally in accordance with the date of the registration of the liens on each of the Owners Loans, namely, upon receipt of all necessary documents in connection with the creation of a lien on any Owners Loan and/or registration thereof, the Company will be entitled to transfer the amount of that Owners Loan to the relevant subsidiary.

6.9 Declarations and commitments of the Company in connection with the pledged assets

The Company hereby declares and undertakes as follows:

6.9.1 The Company and/or the Subsidiaries, as applicable, is/are entitled to pledge the pledged assets and no consent of any kind is required to create pledges on pledged assets.

6.9.2 The Company declares and undertakes to the Trustee and the holders of Debentures that as of the date of entering into this Deed, there is no cause under any law, agreement or undertaking, including the Articles of Association of the Company and/or the Subsidiaries and agreements of the shareholders of the Subsidiaries or agreements concluded in connection with the Subsidiaries, which prevents the Company from signing the Deed of Trust, and carrying out all of the Company's commitments thereunder, and that there is no restriction or condition on creating the liens set forth herein and the liabilities of the Company thereto, and that the contracting and signature of the Company on this Deed does not constitute a breach of any undertaking which the Company or any of the Subsidiaries have taken upon themselves and that the Board of Directors of the Company has duly passed a resolution regarding the creation of liens and that no consent is required to create liens with any party whatsoever, including with any one of the Subsidiaries or shareholders. The Company undertakes to notify the Trustee in the event that there is any change in that stated in this subsection.

6.9.3 Subject to liens created under this Deed, the rights of the Company and/or the Subsidiaries, as applicable, on pledged assets are free and clear of any debt, foreclosure, lien or right of any third party, and there is no condition or restriction

applicable by law or agreement on transfer of ownership thereof or pledge thereof and/or exercise thereof and/or transfer of ownership thereof during the realization thereof. The Company undertakes to cause the provisions of this section to be applicable prior to and on the date of the creation of the relevant pledge and to inform the Trustee regarding any change in connection with the provisions of this section.

6.9.4 On the date of the signing of this Deed the Company and/or the Subsidiaries are not in a process of liquidation and/or receivership (temporary or permanent) and/or a stay of proceedings and no application for liquidation and/or receivership and/or a stay of proceedings has been filed against any of them and the Company is not aware of any threat of applying or taking such actions. In addition, the Company declares that it and/or any of the Subsidiaries have not passed a resolution of liquidation.

6.9.5 Subject to the provisions of the this Deed, without receiving the approval of the Trustee, the Company will not pledge, mortgage, transfer, sell or assign the pledged assets or any part thereof to any third party in any manner, nor take any actions in respect of the pledged assets which may impair the ability of the Trustee and/or holders of the Debentures to exercise any of the pledges, while all the Debentures have not been repaid and all the Company's undertakings in respect thereof have not been implemented or while the pledges on the pledged assets have not been removed.

6.9.6 Immediately following the Company becoming aware thereof, the Company shall notify the Trustee of any event of imposition of an attachment, imposition of an order of execution or filing of an application to appoint a receiver of the pledged assets, or part thereof. In addition, following the Company becoming aware thereof, the existence of a pledge in favor of the Trustee shall immediately be notified to the Authority which imposed the said attachment or order of execution or which requested to appoint a receiver and/or a third party which initiated or requested the foregoing or part thereof, and shall immediately, at the expense of the Company, take all reasonable measures necessary to cancel the attachment, execution order or appointment of a receiver, as applicable.

6.9.7 Without derogating from the undertakings of the Company pursuant to section 6.9.5 above, the Company will notify the Trustee of any change in the Articles of Association of any of the Subsidiaries.

6.9.8 The Company undertakes that as long as the pledged assets are pledged in favor of the Trustee for the holders of Debentures, all of the issued and paid-up share capital of any of the Subsidiaries will be held by the Company and no additional rights of any sort or type whatsoever will be allocated by any of the Subsidiaries to third parties except to the Company.

6.9.9 The Company undertakes that if the Canadian Legal Counsel is replaced and/or if Mattamy has ceased to manage, or has sold its holdings, in the Downsview Project, it shall immediately notify the Trustee and it will provide the replacement Canadian Legal Counsel and/or the manager of the Downsview Project with the notice of instructions specified sections 6.3.2 and 6.3.3 above, as applicable.

6.9.10 The waterfall payments in the Downsview Project are as specified in section 7.6.8.2 (A) of the Prospectus.

6.9.11 The Company undertakes to include a disclosure in connection with each of the Backup Projects in the financial statements, similar to that specified in Part 5 of the Board of Directors Report attached to Chapter 7 of the Prospectus, for as long as there are existing outstanding Debentures (Series A) or for as long as the entire Surplus in connection with the relevant Backup Project (and with respect to that project) has not been transferred to the Dedicated Account, whichever is earlier.

6.9.12 The Company undertakes to cause the Subsidiaries and/or companies under its control not to assume new working capital bridging loans (mezzanine) with respect to the Backup Projects. It should be noted that the foregoing does not prevent the Subsidiaries and/or companies under its control to assume senior debt, plus the Subsidiaries and/or companies under its control will be entitled to create and/or will undertake to create pledges of any kind and of any rank, and/or award other rights of any kind or type, on the buildings and/or on the land included in the Backup Project and on agreements which they have contracted during the construction of a Backup Project, except with respect to Surplus, all in connection with senior debt. The Company will provide the Trustee with confirmation from the chief financial officer in the Company within 2 business days of the date of publication of any financial statement, quarterly or annually, as applicable, with respect to compliance with the undertaking in this section. The Company will publish an Immediate Report after the issue of the Debentures which will include details regarding the scope of the current working capital bridging loans with respect to each Backup Project on the date of the issue, as well as a breakdown as part of the said quarterly approval of the Trustee (or the disclosure in the Board of Directors Report, as applicable), a breakdown of the said loans which have been repaid from the balance of the proceeds of the issue and the balance of the said loans that have not been paid from the balance of the proceeds of the issue (up to the use of the full balance of the proceeds of the issue to repay these loans) and a breakdown of the volume of the said loans as of the relevant financial statement. If the confirmation of compliance with the undertaking in the Board of Directors Report is included in the quarterly report or the annual report of the Company, this confirmation in the report will be considered as providing confirmation to the Trustee and the Company will not be required to provide a separate confirmation to the Trustee, as specified above. It should be clarified that the Trustee is not in possession of data that will enable him to ensure the compliance of the Company with the above undertaking in this section, and, therefore, the Trustee will rely on the said notifications of the Company, without the need to carry out additional examinations.

6.9.13 The Company undertakes to cause that as part of the financing loans to be assumed by the Subsidiaries (and/or companies under its control) in the Backup Projects, the lenders financing the Backup Project will not be awarded the right to offset in connection with other properties and/or accounts and no cross lien of any kind or type whatsoever will be given with respect to the properties that are under the relevant subsidiary. The Company will provide the Trustee with legal confirmation whereby under the agreements with each lending entity in connection with the relevant Backup Project, each lending entity has not been given an offset right and that the pledges given to that financing entity guarantees the loan to that lending entity in connection with the relevant Backup Project only for 60 days from the date of the issue of the Debentures. If in connection with any Backup Project the Company has not yet entered into an agreement with the financing lender entities (or in the case of an existing debt with whatever financing lender), the Company will provide notification to the Trustee of an agreement with a financing lender and will provide the said legal confirmation within 14 days of the date of the agreement. In addition, the Company will provide the Trustee with confirmation from the chief financial officer in the Company, within 2 business days from the date of publication of any financial statement, quarterly or annual, as applicable, with respect to the compliance of the Company with the undertaking in this section. If the confirmation of compliance with the undertaking in this section in the Board of Directors Report is included in the quarterly report or the annual report of the Company, this confirmation in the report will be considered as providing confirmation to the Trustee and the Company will not be required to provide a separate confirmation to the Trustee, as specified above. It should be clarified that the Trustee is not in possession of data that will enable him to ensure the compliance of the Company with the above undertaking in this section, and, therefore, the Trustee will rely on the said notifications of the Company, without the need to carry out additional examinations.

6.9.14

For the removal of any doubt, it is clarified that the Trustee is not obligated to examine, and in practice the Trustee has not examined the need to provide collateral to secure the payments to the Debenture Holders (Series A). The Trustee was not requested to conduct, and in practice the Trustee has not conducted an economic, accounting or legal due diligence review with regard to the condition of the Company's business. By entering into this Deed of Trust and by consenting to serve as Trustee for the holders of (Series A) Debentures, the Trustee is not expressing its opinion, whether explicitly or implicitly, with regard to the Company's ability to meet its obligations to the Debenture Holders (Series A). Nothing in the foregoing derogates from the Trustee's duties under any law and/or this Deed nor does it derogate from the Trustee's duty (insofar as such duty applies to the Trustee

pursuant to any law) to examine the effect of changes in the Company as of the date of the Prospectus, insofar as they may adversely affect the Company's ability to meet its obligations to the Debenture Holders (Series A).

6.10 Undertaking to not to create a floating charge

6.10.1 The Company undertakes not to create a general floating charge on all its assets, without the prior approval of the meeting of Debenture Holders (Series A) by ordinary resolution. Notwithstanding the above, the Company shall be permitted to create a general floating charge on its property, in whole or in part, in favor of a financing party that will provide funding to the Company itself (including the holders of the other debenture series) without having to obtain the consent of the meeting of the Debentures holders, subject to, concurrent with the creating of the stated floating charge, the Company shall create a charge of the same type and of equal rating in favor of the debenture holders (Series A), pari passu, according to the debt ratio, which shall be valid as long as the Debentures (Series A) have not been fully repaid. The Company clarifies that as of the date of the signing of this Deed, the Company has not created the general floating charge stated above.

6.10.2 The Company will specify in the Board of Directors Report for every quarter, the compliance or non-compliance with its obligation under this section 6.2. A reasonable time prior to creating the said permitted floating charge, the Company shall submit to the Trustee certification signed by the chief financial officer which describes the floating charge which the Company intends to create and confirms the floating charge is a permitted charge as specified in section 6.2.1 above. The Trustee will rely on the said certification and will not be required to carry out an additional examination on its behalf.

6.10.3 To remove any doubt it should be clarified that the Company is entitled to charge its assets, in whole or in part, with specific pledges (including a floating charge on specific assets) and to guarantee without receiving the approval of the meeting of Debenture Holders (Series A) and without requiring to provide any collateral in favor of the Debenture Holders (Series A). In addition, companies held by the Company are entitled to charge their assets, in whole or in part, with any pledge (including a floating charge), and in any manner, without the approval of the meeting of Debenture Holders (Series A) and without requiring to provide any collateral in favor of the Debenture Holders (Series A) concurrently with creating charges as aforesaid.

6.10.4 The Company undertakes not to take credit from financial institutions that are not Israeli and not to provide charges to financial institutions that are not Israeli, except for with respect to credit frameworks that may be provided by financial institutions in the United States or Canada (including specific charges to secure the said credit frames) for the purpose of engaging in hedge transactions of the shekel/dollar exchange rate with respect to the Debentures that the Company will issue. It should be noted that the foregoing does not detract from the capability of

the Company to issue Debentures in Israel. The Company shall specify in the Board of Directors Report for each quarter, its compliance or non-compliance with its undertakings under this section 6.10.4 stated, inter alia, in every provided credit facility, in accordance with this undertaking (including the purpose of the credit framework in accordance with the above).

6.10.5 Prior to signing this Deed, the Company will provide the Trustee, no later than 60 days from the date of the signing of this Deed, with a legal opinion by an attorney who specializes in the laws of Ontario which apply to the Company, pursuant to which there is no legal duty in Ontario to register a negative floating pledge as provided in section 6.2 above with any registry managed under the laws of Ontario. In addition, the Company shall submit to the Trustee, on December 31 of each year, certification by an attorney that specializes in the relevant law applicable to the Company, that the Company did not register with its Registrar and/or another registrar that complies with the relevant law, any floating charge in favor of anyone in contrast to its undertaking in section 6.2 above. Proof from the registrar that meets the law applicable to the Company shall be attached to the attorney's certification. It should be noted that, the confirmation of the attorney, as described above, regarding the registration of a lien that is not in compliance with the undertaking in section 6.2 above and which does not include confirmation that the Company did not create or make a commitment to create any lien in violation of section 6.2. It should also be noted that the Trustee has no data which allows him to ensure the Company's compliance with its obligations as specified in section 6.2 above (and the subsections thereof) and, therefore, in order to inspect the Company's compliance with these obligations the Trustee will rely on the reports of the Company, as specified below, and the confirmation of the attorney, the correctness of which he will not be able to ensure. The Company shall include in its quarterly and/or periodic reports, as the case may be, reference to its compliance or failure to comply with the undertaking stated in this section above. The Company may sell, lease, assign, give or transfer in any way whatsoever, all or part of its assets, to any person it deems fit, without requiring the approval of the Trustee and/or the Debenture Holders (Series A), as applicable.

6.10.6 The Company is not obligated to notify the Trustee of the transfer or sale of any of its assets unless it is a sale or transfer of a "material asset of the Company" as it is defined in section 8.1 below, and is not obligated to inform the Trustee of any charge over its assets, except as stated in section 6.2 above.

6.11 <u>Financial covenants</u>

Until the date of the full, final and exact payment of the debt pursuant to the terms of the Debentures (Series A) (subject to the provisions of section 6.13 below), the Company shall comply at any time with the financial covenants set forth below:

(1) The Company's consolidated nominal equity (excluding minority interests) will not be less than $65 million (this amount will not be linked to the CPI) (hereinafter: the "**Minimum Equity**").

(2) The ratio of the consolidated equity of the Company (including minority interests) to the total consolidated assets, net of customer advances, will not be less than 18% (hereinafter: "**Assets to Equity Ratio**" or the "**Minimum Assets to Equity Ratio**").

(3) The ratio of the adjusted net financial debt to total consolidated assets shall not exceed 74% (hereinafter: "**Debt to Assets Ratio**" or "**Maximum Debt to Assets Ratio**");

In this section:

"**Consolidate nominal equity**" - as specified in section 5.3 above

"**Adjusted net financial debt**" - as defined in section 5.3 above

"**Adjusted Assets**" – as defined in section 5.3 above

The examination of the Company's compliance with the financial covenants in subsections (1) to (4) above will be conducted on the date of publication of the Company's financial statements and as long as the Debentures (Series A) are outstanding, in relation to the annual/quarterly financial statements which the Company would have published until that date.

The Company will specify in the Board of Directors Report for the relevant period whether or not it complies with the financial covenants in subsections (1) to (4) above. In addition, the Company shall deliver to the Trustee a certification from the chief financial officer concerning compliance with the financial covenants in paragraphs (1) to (4) above, within 7 business days from the date of publication of the quarterly/annual financial statements, as applicable.

If the Company's consolidated equity drops below the Consolidated Minimum Nominal Equity of the Company and/or if the assets to equity ratio drops below the Minimum Assets to Equity ratio and/or if the Debt to Assets ratio exceeds the Maximum Debt to Assets ratio, in any quarter, the Company shall notify the Trustee in writing and report this data and the meaning of this data by means of an Immediate

Report via Magna, no later than the end of one business day following the publication of the financial statements (quarterly and annual).

6.12 Surplus ratio undertaking

The Company undertakes that as long as the full liabilities of the Company to the holders of Debentures (Series A) have not been fully repaid (subject to the provisions of section 6.13 below), the Surplus expected to arise from the Backup Projects will be an amount equal to or exceeding 140% of the portion obtained from the distribution: (a)The expected surplus balance of the Company in (b) the unpaid balance of the principal of the Debentures (Series A) plus the interest on the Debentures (Series A), accrued up to the date of the examination, net of the actual amounts that are deposited in the Dedicated Account and in the interest cushion account (hereinafter: the "**Ratio of Surplus to Debt**") .

The examination concerning the compliance of the Company with the Ratio of Surplus to Debt, as mentioned above in this section, shall be carried out on the date of publication of the financial statements (quarterly and annual) by the Company as long as there are outstanding Debentures (Series A). Starting from the date of implementation of any of the Backup Projects, the Surplus expected to arise from that Backup Project, which will be published by the Company as part of the Board of Directors Report, will be based on the reports to be prepared by the Inspector on that relevant project which will be provided to the Company, upon which the date of the signature thereon is no later than three months from the date of publication of the relevant financial statements. In addition, the Company will specify in the Board of Directors Report of each financial statement, the Surplus expected to arise from each Backup Project, the Ratio of Surplus to Debt and its compliance or non-compliance with its undertaking with respect to the Ratio of Surplus to Debt mentioned above in this section.

The Company will be entitled to complete the funds in the Dedicated Account from its independent resources, up to the date of a specific examination (the date of publication of the relevant financial statements), in order to comply with the Ratio of Surplus to Debt such that this will not be considered a breach of the undertaking of the Company with respect to the Ratio of Surplus to Debt.

6.13 The cancellation of the undertakings to comply with the financial covenants, the dividend restriction, adjustment of the interest rate and others

Notwithstanding the foregoing, it is hereby clarified that the undertaking of the Company to adjust the interest rate in the event of a decline in the rating of the Debentures as specified in section 5.2 above, the undertaking of the Company to comply with the covenants specified in section 5.3 above, the undertaking of the Company to comply with the dividend restriction set forth in section 5.5 above, the undertaking of the Company to approve special transactions at the Meeting of Holders of the Debentures as specified in section 5.6 above, the undertaking of the Company to comply with the financial obligations as specified in section 6.11.above, the undertaking to comply with the Ratio of Surplus to Debt as specified in section 6.12 above shall not apply in the event that the total amount of the funds deposited in the Dedicated Account (as specified in section 6.1.14 below) is equal to 100% of the liability value of the Debentures plus the amounts equal to future interest payments up to the date of the final redemption of the Debentures (net of amounts deposited in the interest cushion account) up to the end of the life-term of the Debentures (Series A). Appropriately, in this event, the causes for immediate redemption relating to the said breach of undertakings by the Company, aforementioned above in this subsection, will not be valid.

7. Early redemption

7.1 Early redemption at the discretion of the TASE

If the Tel Aviv Stock Exchange decides to delist the Debentures from trading because the value of the bond series falls below the amount prescribed in the TASE Regulations regarding delisting, the Company shall act as follows:

(A) Within 45 days from the date of the said resolution to delist the Debentures, the Company will announce an early redemption date on which the holder may redeem the Debentures.

(B) The early redemption date with regard to the Debentures will not take place seventeen (17) days from the date of publication of the announcement and no later than forty five (45) days from the said date, but not during the period between the Effective Date for the payment of Interest and the actual date of payment thereof.

(C) On the early redemption date, the Company will redeem the Debentures of Holders who so requested, in accordance with the balance of the nominal value

thereof and the addition of interest that has accrued on the principal until the actual redemption date (the interest will be calculated on the basis of 365 days per year).

(D) The setting of an early redemption date as aforesaid is without prejudice to the rights of redemption as stipulated in the Debentures, for those Holders of the Debentures who do not redeem them on the early redemption date as aforesaid, but the Debentures will be delisted from the TASE, and the resulting tax implications will apply thereto.

Early redemption of the Debentures as aforesaid, will not grant to a Debenture Holder who redeems same as stated the right to the payment of interest in respect of the period after the redemption date.

The Company will publish notice of the earliest redemption date in an Immediate Report. The said notice will also detail the proceeds of the early redemption.

7.2 **Early redemption at the discretion of the Company**

The Company may, at its sole discretion, call the Debentures (Series A) for early redemption, at any time, commencing 60 days from the date of the listing thereof on the TASE, in which case the following provisions shall apply, all subject to the guidelines of the Securities Authority and the provisions of the TASE Rules and Regulations as shall be in effect on the relevant date:

The frequency of early redemptions shall be limited to one per quarter.

If an early redemption was scheduled for a quarter with a pre-scheduled interest payment, or partial redemption payment or final redemption payment, the early redemption will occur on the date designated for such payment.

For purposes of this section, "**quarter**" shall mean any of the following periods: January-March, April-June, July – September, October – December.

The minimum amount of an early redemption of Debentures shall not be less than NIS 1 million. Notwithstanding the aforesaid, the Company may make an early redemption of Debentures totaling less than NIS 1 million provided the number of redemptions a year will be limited to one, all in accordance with the instructions of the TASE in this matter.

Any early redemption amount will be paid on a pro rata basis to the Debenture Holders (Series A) at the par value of the Debentures (Series A) held.

Upon the Company's Board of Directors resolution to make an early redemption as aforesaid, the Company shall publish an Immediate Report with a copy to the Trustee no less than seventeen (17) days and no more than forty five (45) days prior to the early redemption date. The early redemption date shall not occur in the period between the record date for interest payment in respect of the Debentures (Series A) and the actual interest payment date. In said Immediate Report, the Company will publish the early redemption amount of the principal and the interest accrued on the principal until the early redemption date, in accordance with the following provisions.

On the date of a partial early redemption, if there should be one, the Company will pay the holders of Debentures (Series A) on the date of the partial early redemption the accrued interest only for the separate share of the partial redemption and not for the total unredeemed balance. No early redemption will be implemented on a part of the

series of Debentures (Series A) if the final redemption amount is less than NIS 3.2 million. On the date of early redemption, full or partial, as it shall be, the Company shall give notice in an Immediate Report of: (1) the percentage of the partial redemption in terms of the unpaid balance; (2) the percentage of the partial redemption in terms of the original series; (3) the interest rate of the partial redemption on the redeemed part; (4) an update of the percentage of the partial redemptions that remain, in terms of the original series; (5) the determining date for eligibility to receive an early redemption of the debenture principal that shall be twelve days (12) prior to the date set for the early redemption; all as applicable.

The amounts payable to the Debenture Holders (Series A) in the event of early redemption, shall be the higher of: (1) the market value of the outstanding Debentures (Series A), which will be determined based on the average closing price of the Debentures (Series A) in the thirty (30) trading days prior to the date of the Board of Directors resolution regarding an early redemption; (2) the liability value of the outstanding Debentures (Series A) called for early redemption, that is, the principal plus interest, until the actual early redemption date; (3) the balance of cash flow of the Debentures (Series A) called for early redemption (principal plus interest), discounted at the government bond yield (as defined below) plus 1.75% per annum. The discounting of the Debentures (Series A) that are called for early redemption, full or partial, will be calculated from the early redemption date to the last repayment date scheduled for the Debentures (Series A) which are called for early redemption.

For purposes of this section – "**government bond yield**" means the average yield (gross) to maturity in the seven business day period that ends two business days before the date of the notice of early redemption notice, of three series of government bonds whose average life is the closest to the average life of the Debentures (Series A) on the relevant date.

The Company shall furnish to the Trustee within five business days from the date of the resolution of the Board of Directors certification signed by the chief financial officer regarding calculation of the redemption amount.

8. <u>The right to declare the Debentures due and payable</u>

8.1 **Upon the occurrence of one or more of the cases listed in this section below, the provisions of section 8.2 below will apply, as relevant:**

8.1.1 If the Company does not pay any sum owed by it in connection with the Debentures or if it fails to meet any of the remaining material obligations toward the Debenture Holders, and the Trustee gave notice to the Company in writing to remedy the breach and the Company does not remedy the said breach within 14 days from giving notice.

8.1.2 If the Company files an order for the stay of proceedings or if an order for the stay of proceedings is given against the Company or if the Company files a motion for a settlement or arrangement with the creditors of the Company pursuant to Article 350 of the Companies Law 5759-1999, or if the Company offered its creditors the said settlement or arrangement in another manner, due to its inability to meet its obligations on time (except for purposes of merging with another company, as specified in 8.1.21 below and/or restructuring of the Company, including a split, which are not prohibited under the terms of this Deed and except for arrangements between the Company and its shareholders which are not prohibited under the terms of this Deed and which do not affect the ability to repay the Debentures (Series A)) or if the Company will offer its creditors an alternate manner of settlement or arrangement due to the inability of the Company to comply with its undertakings on the maturity date.

It should be clarified that for the purpose of this subsection, the procedures for a stay of proceedings pursuant to Article 350 of the Companies Law and/or request for settlement or an arrangement by another manner, will be procedures in accordance with Israeli law or parallel proceedings in accordance with foreign law, corresponding in all material aspects, to the Israeli procedure.

8.1.3 If an application was filed pursuant to Article 350 of the Companies Law against the Company (not with the Company's consent) which was not dismissed or cancelled within 45 days from the date of submission thereof.

It should be clarified that for the purpose of this subsection, an application under section 350 of the Companies Law shall be in accordance with Israeli law or a parallel proceeding in accordance with foreign law, corresponding in all material aspects, to the Israeli procedure.

8.1.4 If the Company adopts a valid resolution for liquidation thereof (other than liquidation for the purpose of a merger with another company as specified in section 8.1.21 below), or if a permanent liquidator has been appointed for the Company and/or a final liquidation order has been made by the court.

It should be clarified that the purpose of this subsection, liquidation proceedings will be proceedings in accordance with Israeli law, or parallel proceedings in accordance with foreign law, corresponding in all material aspects, to the Israeli procedure.

8.1.5 If a temporary liquidation order has been granted and/or a temporary liquidator has been appointed and/or any judicial decision of a similar nature has been rendered, and such order or decision were not dismissed or cancelled within **45 days** of the date of issuing the order or rendering the decision, as the case may be. Notwithstanding the foregoing, the Company will not be provided any remedy period with respect to applications made or orders issued, as the case may be, by the Company or with its consent.

It should be clarified that the purpose of this subsection, liquidation proceedings will be proceedings in accordance with Israeli law, or parallel proceedings in accordance with foreign law, corresponding in all material aspects, to the Israeli procedure.

8.1.6 If an application has been filed for receivership or the appointment of a receiver (temporary or permanent) for the Company or for a material asset of the Company (as the term is defined below), or if an order has been issued for the appointment of a temporary receiver, which were not dismissed or cancelled within **45 days** of the date of filing the application or issuing the order, as the case may be; or – if an order has been filed for a permanent receiver for the Company or for a material asset of the Company (as the term is defined below). Notwithstanding the foregoing, the Company will not be granted any remedy period in relation to the applications filed or orders issued, as the case may be, by the Company or with its consent.

It should be clarified that the purpose of this subsection, receivership proceedings will be proceedings in accordance with Israeli law, or parallel

proceedings in accordance with foreign law, corresponding in all material aspects, to the Israeli process.

8.1.7 If an attachment is imposed or if actions of execution are carried out in connection with a material asset of the Company (as defined below), and the attachment is not rescinded, or the action is not cancelled, as the case may be, within 45 (forty five) days following the imposition or execution thereof, as the case may be. Notwithstanding the foregoing, the Company will not be granted any remedy period in relation to the applications filed or orders issued, as the case may be, by the Company or with its consent.

It should be clarified that the purpose of this subsection, attachment proceedings will be proceedings in accordance with Israeli law, or parallel proceedings in accordance with foreign law, corresponding in all material aspects, to the Israeli process.

8.1.8 If the holders of liens exercise their liens against a material asset of the Company (as defined below).

8.1.9 If there is a real concern that the Company will not meet, or that the Company has failed to meet, its material obligations toward the debenture holders (Series A). It is clarified that the Company's material obligations *inter alia* include the amounts of payment to the holders and the dates thereof.

8.1.10 If the Company terminated or announced its intent to terminate the payment of its debts, or ceased, or announced its intent to cease to conduct its business affairs as they shall be from time to time

8.1.11 If there was material deterioration in the Company's business compared to its condition on the date of initial offering of the Debentures (Series A) and there is real concern that the Company would not be able to repay the Debentures (Series A) on time.

8.1.12 If control of the Company has been transferred, directly or indirectly, and such transfer of control was not approved by the Debenture Holders (Series A) by a special resolution prior to transfer of control. The controlling shareholder of the Company on the date of issue of the Debentures (Series A) is Mr. Alan Saskin.

For purposes of this subsection – "**transfer of control**" – a change of control in the Company, such that the controlling shareholder or immediate family members cease to hold, directly or indirectly, more than 50% of the capital and voting rights of the Company. For the avoidance of doubt in this regard it should be clarified that: (a) inheritance by law does not constitute a transfer of control for the purposes of this section. The same limitations will apply to the heirs pursuant to the law for transfer to a third party, as if they were the controlling shareholders in the Company at the time of the signing of the Deed of Trust; (b) the exercise of a lien on the shares of the Company which results in the controlling shareholder or the immediate family members thereof ceasing to hold, directly or indirectly, more than 50% of the capital and voting rights of the Company will be considered to be transfer of control; And (c) the issue of shares and/or options to a third party which results in the controlling shareholder or immediate family member thereof ceasing to hold, directly or indirectly, more than 50% of the capital and voting rights of the Company will be considered to be transfer of control.

For the purposes of this section, "**immediate family members**", are a spouse, parent, grandparent, child, sibling and child or spouse of any of these.

.8.1.13 If another series of Debentures issued by the Company, which is listed for trading on the TASE, (hereinafter in this section: "**the Other Series**") or other material debt of the Company, the liability value of which is CAD$40 million or the volume of which exceeds 10% of the total assets of the Company under the last published consolidated financial statements of the Company (whether audited or unaudited) (hereinafter: the "**Financial Statements**") (whichever is lower) or the debt of an affiliated company in which the product of the holding (in the final chain) in the affiliated company of the value of liability is equal to or higher than CAD$ 40 million in accordance with the Financial Statements (hereinafter: "**the Other Debt**") and the said request for immediate repayment is not withdrawn within 45 days of the date on which they were declared due and payable. It should be noted that in connection with the Other Debt, where the Company's indebtedness arises from the provision of a guarantee to repay that debt, the grounds specified in this section 8.1.13 shall exist provided the following terms are met: (1) the Company's guarantee to repay the debt is not

limited in amount or is limited to an amount higher than the amount of the Other Debt (as defined above); and (2) the Company was required to repay at least an amount that is higher or equal to the said Other Debt; if these terms are met the aforesaid grounds will exist as of the date on which the Company was required to repay the Other Debt (subject to the remedy period specified above) and not from the date of declaring that debt due and payable, provided these dates do not overlap.

8.1.14 If the Consolidated Equity of the Company (excluding minority interests) drops below the Minimum Equity (as defined in section 6.11 (1) above), for two consecutive quarters.

8.1.15 If the Equity to Assets ratio as specified in section 6.11 (2) drops below the Maximum Equity to Assets (as defined in section 6.11 (2) above), for two consecutive quarters.

8.1.16 If the Debt to Assets ratio (as specified in section 6.11 (3) above) exceeds the Maximum Debt to Assets ratio (as defined in Section 6.11 (3) above), for two consecutive quarters

8.1.17 If the Company distributed a dividend in violation of the dividend restriction provisions, as specified in section 5.5 above;

8.1.18 If the rating of the Debentures (Series A) by the rating company is downgraded to below BBB+. In the event that the rating company is replaced, the Company shall submit to the Trustee a comparison between the ratings scale of the replaced rating company and the ratings scale of the new rating company.

For purposes of this section it should be emphasized that if the Debentures (Series A) will be rated by more than one rating company, the review of the rating with respect to the grounds for immediate repayment shall be conducted, at any time, based on the lower rating.

8.1.19 If the Company sells to another / others all its assets or most of its assets during two consecutive calendar quarters (including in a specific sale during the said quarters), and the Debenture Holders (Series A) have not approved the sale by a special majority. For purposes of this subsection – **"sale to another"** – shall mean sale to any third party whatsoever (including the controlling

shareholder of the Company and/or companies controlled by him), except for sale to companies wholly owned by the Company; **"Bulk of the Company's assets"** – shall mean an asset or several assets the cumulative value of which (as the case may be) in the last financial statements published before the relevant event occurred exceeds 50% of the value of its assets in the consolidated balance sheet, based on the said financial statements.

8.1.20 If the Company makes a change in its main business activity. In this regard, the main business activity of the Company and companies under its control on the date of the issue is (a) promotion, construction, development and sale of real estate for sale in Canada; (b) acquisition of holdings and improvement of real estate (including land), as well as the acquisition and operation of income-producing properties in Canada, and (c) holding of geothermal installations in real estate properties in Canada. The Company's periodic and/or quarterly reports, as applicable, in the Board of Directors Report, shall include a certification that the main business activity of the Company has not changed. In addition, the Company undertakes to notify the Trustee of a change in the said business activity. The publication of an Immediate Report via Magna **shall not** constitute notification of the Trustee.

8.1.21 If a merger was performed without the prior approval of the Debenture Holders (Series A) by a special majority, unless the Company or the recipient company (as applicable) warrants to the Debenture Holders (Series A), including by means of the Trustee, at least 10 business days before the date of the merger, that there is no reasonable concern that because of the merger the recipient company will not be able to meet its obligations to the Debenture Holders (Series A). Nothing in this section shall derogate from the other grounds for immediate repayment that are granted to the Debenture Holders pursuant to section 8.1 above and below, and 30 days prior to the date of the planned merger, all the grounds enumerated in section 8.1 shall apply to the recipient company as if it were the Company. With regard to sections the provisions of which arise from the Company's financial statements, the review shall be conducted in relation to the financial statements of the recipient company following the merger.

It should be clarified that for the purpose of this subsection, the merger proceeding will be a proceeding in accordance with Israeli law, or parallel proceedings in accordance with foreign law, in all material aspects to the Israeli proceeding..

8.1.22 If trading in the Debentures (Series A) on the TASE was suspended by the TASE, except for suspension on the grounds of ambiguity as stated in the fourth part of the TASE Regulations, and 60 days have elapsed from the date of suspension during which the suspension was not cancelled.

8.1.23 If the Company is liquidated or deleted for any reason whatsoever.

8.1.24 If the Company commits a breach of one of the terms of the Debentures (Series A) and/or the Trust Deed, and if it turns out that a representation of the Company's representations in the Debentures and/or the Deed of Trust are incorrect and/or incomplete, and the Trustee has instructed the Company in writing to remedy the breach and the Company failed to remedy such breach within 14 days of receipt of the notice.

8.1.25 If the Debentures (Series A) cease to be rated for a period longer than 60 days due to reasons and/or circumstances beyond the Company's control (for purposes of this section, *inter alia*, failure to make the payments that the Company has undertaken to pay the rating company and failure to deliver the reasonable reports and information which are required by the rating company as part of the contract between the Company and the rating company, shall be deemed as reasons and circumstances under the Company's control).

8.1.26 If the Company expands the Debenture series (Series A) or issues additional debenture series, in violation of the provisions of section 4 of the Trust Deed.

8.1.27 If the Company ceases to be a reporting corporation as the term is defined in section 1 of the Securities Law.

8.1.28 If the Company does not publish a financial statement as is it required to publish under any law, within 30 days of the final date for publication thereof.

8.1.29 If the Debentures (Series A) are delisted from the TASE.

8.1.30 If the Company violates its undertakings not to create a general floating charge over its assets, as specified in section 6.10 above

8.1.31 If the Company breaches its obligations with respect to approval of special transactions as specified in section 5.6 above

8.1.32 If the Company breaches its undertaking to deposit funds in the Interest Cushion Account within 14 business days of the relevant date.

8.1.33 If the Company breaches its undertakings to deposit an expenditures cushion, within 14 days of the date of the issue, as specified in section 5.8 above.

8.1.34. If the Subsidiaries breach the irrevocable notice of instructions to the Subsidiaries as implied in section 6.3.1 above and/or if legal counsel breaches the irrevocable notice of instructions to the Canadian Legal Counsel as specified in section 6.3.2 above and/or if Mattamy will breach the irrevocable notice of instructions to Mattamy as specified in section 6.3.3 above.

1.8.35. If one of the causes specified in sections 8.1.2 to 8.1.8 above or in section 8.1.21 above materializes with respect to the Downsview property company, mutatis mutandis.

8.1.36. If the Company fails to meet its undertaking to maintain a Ratio of Surplus to Debt of 140% as specified in paragraph 6.12 above, for a period of two consecutive quarters.

8.1.37 If the Subsidiaries (as specified in section 6.1.6 above) will assume new bridging loans in contravention to the provisions of section 6.9.12 above

8.1.38 If the Company (including through subsidiaries) infringes its undertaking set forth in section 6.9.13 above in connection with the absence of offsetting rights and cross liens on the Backup Projects.

8.1.39 If the Company breaches its undertaking in section 5.9 above not to operate outside Canada.

8.1.40 If a "going concern" note is recorded in the financial statements of the Company for a period of two consecutive quarters.

8.1.41 Upon the occurrence of another event that materially prejudices and/or could materially prejudice the rights of the Debenture Holders.

For purposes of this section 8.1, "**Material Asset of the Company**" is an asset or several cumulative assets of the Company or of companies controlled thereby, whose

value, in accordance with the recent consolidated financial statements (reviewed or audited), on the date of the Company's event, exceeds 30% of the total assets in the consolidated balance sheet of the Company in accordance with the said financial statements.

The provisions of sections 8.2 below shall apply:

8.2 In the event of one of the instances set out in sections 8.1.1 to 8.1.41 (inclusive) above, the following provisions shall apply, as applicable:

8.2.1 Upon the occurrence of any of the events set forth in sections 8.1.1 to 8.1.41 (inclusive), the Trustee shall be obligated to convene a general meeting of Debenture Holders (Series A), the date of which shall be 21 days after the date of invitation thereof (or a shorter date in accordance with the provisions of section 8.2.5 below), and whose agenda will include a resolution regarding the immediate repayment of the outstanding balance of the (Series A) Debentures, due to the occurrence of any of the events specified in sections 8.1.1 to 8.1.41 (inclusive), above, as the case may be. The notice of the meeting shall state that if the Company acts to cancel and/or discontinue the event specified in section 8.1 above, in respect of which the meeting was convened, until the date of the meeting, then the meeting of Debenture Holders shall be cancelled.

8.2.2 The holders' resolution to declare the Debentures (Series A) due and payable shall be adopted at a meeting attended by holders of at least fifty percent (50%) of the nominal value of the outstanding Debentures (Series A), by a majority of holders of the outstanding par value of the Debentures participating in the vote or such majority at an adjourned meeting attended by holders of at least twenty (20%) of the aforesaid outstanding nominal value.

8.2.3 If until the date of the meeting, any of the events stipulated in sections 8.1.1 to 8.1.41 (inclusive) above has not been cancelled or removed, and a resolution in the meeting of the Debenture Holders (Series A) has been adopted in the manner stipulated in section 8.2.3 above, the Trustee will be obligated, within a reasonable time, to declare the outstanding balance of the Debentures (Series A) due and payable, provided the Company has been given a 15-day written notice of its intent to do so.

8.2.4 A copy of the notice of the meeting as stated shall be sent by the Trustee to the Company for the purpose of publication thereof and the notice shall constitute a prior written warning to the Company of its intent to declare the said Debentures due and payable.

8.2.5 The Trustee may, at its discretion, reduce the period of 21 days specified in section 8.2.1 above and/or the said 15 days of notice (specified in section 8.2.3 above) and/or not give a notice at all, should the Trustee be of the opinion that there is reasonable concern that any deferral of the date or delivery of the notice, as the case may be, could undermine the possibility to declare the Debentures due and payable or prejudice the rights of the Holders.

8.2.6 If any of the subsections of section 8.1 above stipulate a reasonable period in which the Company may take action or make a decision that will remove the grounds for immediate repayment, the Trustee or the holders may declare the Debentures due and payable as stated in section 8, only if the period stipulated as aforesaid has elapsed and the grounds have not been removed; however, the Trustee may reduce the said period if it is of the opinion that it could materially prejudice the rights of the Holders.

8.2.7 To remove any doubt, nothing in section 8.2 above shall derogate from the powers of the Trustee to declare the Debentures (Series A) due and payable at its discretion.

8.2.8 Notwithstanding the provisions of section 8.2 above, in the event that the Company requests the Trustee in writing to appoint an urgent representation, the provisions stipulated **in the third Schedule** to the Deed of Trust shall be followed.

8.2.9 To remove any doubt it is clarified that the immediate repayment shall be based on the nominal value of the outstanding Debentures (Series A), including interest accrued on the principal amount, while the interest will be calculated for the period beginning after the final day in respect of which interest was paid and ending on the immediate repayment date (the calculation of the interest for a portion of the year will be based on 365 days a year).

8.2.10 To remove any doubt, it is clarified that the right of immediate repayment as aforesaid and/or declaring the Debentures due and payable shall not impair or

prejudice any other or additional remedy available to the Debenture Holders (Series A) or to the Trustee under the terms of the Debentures (Series A) and the provisions of this Deed or pursuant to any law and the decision not to call the Debentures due and payable upon the occurrence of any of the events listed in section 8.1 above, shall not constitute a waiver of the rights of the Debenture Holders or the Trustee.

9. Claims and proceedings by the Trustee

9.1 In addition to any provision herein and as an independent authority, the Trustee may, at its discretion and without giving additional notice, adopt all such proceedings, including legal proceedings and applications for orders, as it finds fit and subject to the provisions of any law, to protect the rights of the Debenture Holders (Series A) and enforce the Company's duty to meet another obligation under the Trust Deed. Nothing in the foregoing shall prejudice and/or derogate from the Trustee's right to institute legal and/or other proceedings, even if the Debentures (Series A) have not been declared due and payable, all with a view to protecting the Debenture Holders (Series A) and/or for purposes of issuing any order with regard to trusteeship matters and subject to the provisions of any law. Notwithstanding the provisions of this section it is clarified that the right to declare the Debentures due and payable will arise only in accordance with the provisions of section 8 above and not by virtue of this section.

9.2 The Trustee will be required to act as stated in section 9.1 above, if required to do so by an ordinary resolution passed at a General Meeting of Holders of Debentures (Series A), unless it warrants that under the circumstances this is not justified and/or reasonable and appeals to the appropriate court to receive instructions on the matter at the first reasonable date.

9.3 Subject to the provisions of the Trust Deed, the Trustee may but is not obligated, to convene at any time a general meeting of the holders of Debentures (Series A) in order to discuss and/or receive its instructions on any matter regarding the Trust Deed.

9.4 Any time the Trustee is obligated under the terms of the Deed of Trust to take any action, including institute proceedings or file claims at the request of the Debenture Holders (Series A) as stated in this section, the Trustee may, at its sole discretion, withhold the execution of any action until such time as it receives instructions from the general meeting of the Debenture Holders (Series A) and/or instructions from the court,

at its discretion, on how to proceed provide such meeting is convened or the court is petitioned at the earliest possible date. To remove any doubt it is clarified that the Trustee may not delay any said actions or proceedings if the delay could prejudice the rights of the Debenture Holders (Series A).

9.5 The Trustee may, before instituting any legal proceedings, convene a general meeting of the Debenture Holders (Series A), in order for the holders to determine by ordinary resolution which proceedings to take in order to exercise their rights under this Deed. Likewise, the Trustee may reconvene general meetings of the Debenture Holders (Series A) for the purpose of receiving orders with regard to conducting such proceedings provided the meeting is convened at the earliest possible date pursuant to the provisions of the second schedule to the Deed of Trust and the delay of proceedings does not prejudice the rights of the Holders.

10. Receipts held in Trust

10.1 All receipts collected by the Trustee, except for its fees, expenses and repayment of any debt to it, in any way whatsoever, including but not only in consequence of declaring the Debentures due and payable, and/or as a result of proceedings instituted by it, if any, against the Company, shall be held by the Trustee in trust and shall be used for such purposes and according to the order of priorities as follows: **First** – for the settlement of all expenses, payments, levies and obligations incurred by the Trustee, imposed on it, or caused in the course or in consequence of acts to execute the trust or otherwise, with respect to the terms of the Trust Deed, including its fee (provided the Trustee does not receive its fee from the Company or from the Debenture Holders). **Second** – for the payment of any other amount pursuant to the "undertaking to indemnify" (as this term is defined in section 26.1.6 below); **Third** – for the payment to the holders of Series A Debenture Holders that incurred payments pursuant to section 26.3.2 below;

10.2 The balance will be used, unless decided otherwise in a special resolution of a meeting of Debenture Holders (Series A), and subject to the provisions of the Articles of Association of the TASE, as they shall be at that time, for purposes in accordance with the following priorities: (a) **First** – to pay the Debenture Holders the arrears interest in respect of the delays in payment of interest and/or principal due to them under the terms of the Debentures, and subject to the linkage terms of the Debentures, pari passu

and proportionate to the amount of interest and/or principal in arrears due to each of them, without preference or priority with respect to any of them; (b) **Second** - to pay to the Debenture Holders the amount of the principal and interest in arrears due to them under the terms of the Debentures pari passue and subject to the linkage terms of the Debentures, the payment date of which is not yet due, and proportionate to the amounts due to them, without preference or priority with respect to any of them; (c) **Third** – the Surplus, if any, shall be paid by the Trustee to the Company or its successors.

10.3 Withholding tax will be deducted from the payments to the Debenture Holders (Series A), if there is a requirement to deduct withholding tax under any law.

10.4 The Debenture Holders (Series A) may change the above priorities by a special resolution duly adopted at a meeting of holders, and this in relation to alternatives (a) to (d) above only. The above is subject to obtaining the appropriate approval from the tax authority.

10.5 It should be clarified that if the Company is required to incur any of the expenses but failed to do so, the Trustee shall act to collect said amounts from the Company and if it succeeds in obtaining them they will be held by it in trust and will be used for the purposes and according to the order of priorities specified in this section.

11. Power to demand payment to the holders through the Trustee

The Trustee may instruct the Company in writing to transfer to the Trustee's account (for the Debenture Holders) some of the payment (interest and/or principal) which the Company is required to pay the Holders, so that the amount intended for settlement as aforesaid will be transferred to the Trustee's account (for the Debenture Holders) no later than one business day prior to the date of repayment to the Debenture Holders for the purpose of financing the proceedings and/or expenses and/or the Trustee's fees pursuant to this Deed. The Company may not refuse to act in accordance with said notice and it shall be deemed to have fulfilled its obligations to the Holders if it proves that it has transferred the full amount to the credit of the Trustee's account. Nothing in the foregoing shall relieve the Company of its obligation to incur the expenses and fees as aforesaid where it is required to incur them under this Deed or pursuant to any law. In addition, nothing in the foregoing shall derogate from the Trustee's duty to act reasonably to obtain the amounts due to the Holders from the Company, which was used to finance the proceedings and/or expenses and/or the Trustee's fees under the Trust Deed.

12. Power to withhold distribution of funds

Notwithstanding the provisions of section 10 above, in the event that the monetary sum obtained in consequence of the institution of proceedings as aforesaid, which at any time is available for distribution, as set out in section 10 above, is less than NIS 1 million, the Trustee shall not be obligated to distribute same, and it may invest such sum, in whole or in part, in such investments as are permitted under the Deed of Trust and substitute such investments from time to time by other permitted investments under this Deed, as it deems fit.

Where such investments, including accruals thereon, together with other funds received by the Trustee, total such amount as is sufficient to pay the aforementioned amount, the Trustee shall pay same to the Holders in accordance with the order of priorities set out in section 10 above. In the event that by the earlier of: the date of payment of the interest and/or principal or a reasonable period of time after receipt of the monetary amount, the Trustee does not have a sufficient sum to pay at least NIS 1 million, the Trustee may distribute the funds held by it to the Debenture Holders.

Notwithstanding the foregoing in this section 12 above, the Debenture Holders (Series A), according to the resolution adopted by them, may instruct the Trustee to pay them the distributable funds obtained by the Trustee as set forth in section 10 above, even if the sum total is less than NIS 1 million subject to the provisions of the TASE Regulations as shall be in effect at the time. Notwithstanding the foregoing, the Trustee's fees and the Trustee's expenses will paid from the said funds when they become due (with respect to the expenses already paid to the Trustee, the Trustee will be reimbursed for said expenses immediately when the funds are obtained by the Trustee) even if the amounts obtained by the Trustee are less than the said NIS 1 million.

13. <u>Notice of distribution</u>

The Trustee shall give notice to the Debentures Holders (Series A) of the date and the place of effecting any payment of the installments set out in sections 10 and 12 above, in a prior 14 days' notice to be delivered to them in the manner designated in section 28 below. After the date designated in the notice, the Debenture Holders (Series A) shall be entitled to interest thereon at the rate designated in the Debentures, only in respect of the outstanding balance of the principal (if any), after deduction of the amount paid, or offered to be paid to them as aforesaid.

14. <u>Failure to pay for reasons out of the Company's control</u>

14.1 Any amount due to the Debenture Holders (Series A) which was not paid on the date prescribed for its payment, for a reason that is out of the Company's control, while the

Company was willing and able to pay said amount, shall cease to bear interest from the date designated for its payment and the Debenture Holder (Series A) will only be entitled to the amount he was entitled to on the date prescribed for repayment thereof on account of the principal or the interest.

14.2 The Company shall deposit with the Trustee, within 14 days of the date designated for payment, the sum of the installment not paid in a timely fashion, as set out in section 14.1 above, and shall give notice in writing according to the addresses available to it, if any, to the Debenture Holders (Series A), of such deposit, and such deposit shall be deemed as settlement of such installment, and, in the event of settlement of everything owing for the Debenture, also as redemption of the Debentures (Series A) by the Company.

14.3 Any amount held by the Trustee in trust for the holders shall be deposited by the Trustee in a bank and held by it, in its name or on its behalf, at its reasonable discretion, in permitted investments as set forth in section 17 below. If the Trustee did same it will owe the holders, in respect of said amounts, only the proceeds from the disposal of the investments less the expenses related to said investments, including for the management of the trust account and less its fees and mandatory payments, and it shall pay same to the holders against such certifications as shall be required by it to its satisfaction. Once the Trustee receives notice from the holder that such impediment has been lifted, the Trustee shall transfer to the holder all the funds accumulated in the deposit as a result of the disposal of the investment, net of all the reasonable expenses and the trust fund management fees and net of any applicable tax under the law. Payment shall be effected against presentation of certifications, which are acceptable by the Trustee, regarding the holder's right to receipt thereof.

14.4 The Trustee shall hold such funds and shall invest them according to the provisions of section 17 below, up to the end of one year from the final settlement date of the Debentures (Series A). After such date, the Trustee shall return such amounts to the Company, including profits arising from their investment, less its reasonable expenses and less its fees and other expenses which were expended in accordance with the provisions of this Deed (such as payment to service providers, etc.), and the Company shall hold such amounts in trust for the Debenture Holders (Series A) that are entitled to such sum for a period of up to seven (7) years from the date of final repayment of the Debentures (Series A), and with respect to the sums transferred to it by the Trustee, as

aforesaid, the provisions of subsection 14.3 above shall apply to it, *mutatis mutandis*. Funds that are not claimed from the Company by the Debenture Holders (Series A) at the end of seven years (7) from the date of final repayment of Debentures (Series A), shall be transferred to the Company's possession, and it may use the remaining funds for any purpose whatsoever. As soon as the amounts as returned to the Company the Trustee will not owe the Debenture Holders (Series A) any payment in respect of the said amounts held thereby.

14.5 The Company shall confirm to the Trustee, in writing, the return of the amounts as stated in section 14.4 above and the receipt thereof on behalf of the Debenture Holders (Series A), and shall indemnify the Trustee for any claim and/or expense and/or damage of any type whatsoever incurred by it, in consequence of, and due to, the transfer of the funds as aforesaid, unless the Trustee has acted negligently (except for negligence which is exempt by law as shall be in effect from time to time), in bad faith or maliciously.

15. Receipt from the Debenture Holders and from the Trustee

15.1 A receipt from a Debenture Holder (Series A) or written confirmation by the TASE member of the transfer or a transfer through the TASE Clearing House for any payment on account of the principal and the interest paid to him by the Trustee, in connection with the Debenture, shall serve as absolute exemption of the Trustee in connection with the performance of the payment of the sums designated in the receipt.

15.2 A receipt from the Trustee as to the deposit of the amounts of the principal and the interest with it, for the benefit of the Debenture holders (Series A), shall be deemed as a receipt from the Debenture Holder (series A) for purposes of the provisions of section 15.1 above, with respect to the exemption of the Company in connection with the performance of the payment of the sums designated in the receipt.

15.3 Funds distributed as stated in sections 10 and 12 above, shall be deemed as payment on account of the repayment of the Debentures (Series A).

16. Presentation of a Debenture to the Trustee; Registration with respect to partial payment

16.1 The Trustee may demand of a Debenture Holder (Series A) to present, to the Trustee, upon the payment of any interest or partial payment of principal and interest, the Debenture certificates in respect of which the payments are made. The Holder of the Debenture (Series A) will be required to present said debenture certificate provided this

will not obligate the Debenture Holders (Series A) to incur any payment and/or expenses and/or impose any responsibility and/or liability on the Debenture Holders (Series A).

16.2 The Trustee may register, in the debenture certificate, a note with respect to the sums paid as aforesaid and as to the date of payment thereof.

16.3 The Trustee may, in any special case, at its reasonable discretion, waive the presentation of a debenture certificate, after an indemnity undertaking and/or sufficient security, to its satisfaction, has been given to it by the Debenture Holder (Series A), for damages liable to be caused due to failure to register such note, all as it deems fit.

16.4 Notwithstanding the foregoing, the Trustee may, at its reasonable discretion, keep records in any other manner, with respect to such partial payments.

17. Investment of Funds

All funds which the Trustee may invest under this Trust Deed, shall be invested by it, in accounts of one of the four leading banks in Israel, provided the bank's rating does not drop below AA-, in its name or to its order, in such investments as the laws of the State of Israel permit to invest trust funds therein, as it deems fit, all subject to the terms of this Trust Deed, provided it invests the funds in bank deposits, treasury bills issued by the Bank of Israel and/or government bonds issued solely by the Bank of Israel or the US Government and/or similar securities issued by the US Government.

If the Trustee did same it will owe the holders, in respect of said amounts, only the proceeds from the disposal of the investments less its fees and expenses, less the fees and expenses related to the said investment and the management of the trust accounts and less the mandatory payments that apply to the trust account, and with respect to the remainder of said funds, the Trustee shall act in accordance with the provisions of sections 12 and/or 14 above, as applicable.

18. The Company's undertakings to the Trustee

The Company hereby undertakes to the Trustee, so long as the Debentures (Series A) have not been repaid in full, as follows:

18.1 To continue to conduct the Company's business in an efficient and appropriate manner.

18.2 To maintain orderly books of account in accordance with accepted accounting principles, to maintain the books and documents used as their references (including deeds of pledge, mortgage, accounts and receipts) in its offices, and to allow the

Trustee and any authorized representative of the Trustee to review, on a date to be coordinated in advance with the Company, and in any case no later than 5 business days from the date of request of the Trustee, any book and/or document, as aforesaid, which the Trustee asks to review. In this context, an authorized representative of the Trustee means a person designated by the Trustee for the purpose of such review, by means of a written notice on the part of the Trustee, to be given to the Company prior to the said review, subject to an undertaking of confidentiality subject to the provisions of section 31.12 below.

18.3 To notify the Trustee in writing, as soon as reasonably possible, and no later than one business day after learning, of any event of imposition of an attachment on the Company's assets (as this term is defined in section 8.1 above), and in the event of appointment of a receiver, a special administrator and/or temporary or permanent liquidator and/or a Trustee for a material asset of the Company, who were appointed as part of a motion for suspension of proceedings pursuant to section 350 of the Companies Law, 5759-1999 against the Company, and to take, at its expense, all measures required to remove such attachment or to cancel the receivership, liquidation or administration, as applicable. The Company will update the Trustee regularly on the management of the said proceedings.

18.4 To advise the Trustee in writing, immediately upon the Company learning of, and no later than one business day of the occurrence of one or more of the events set forth in section 8.1 above, including the subsections thereto. The provisions of this section 18.4 shall be implemented by the Company without taking into account the remedy period and the waiting period set forth in section 8.1 above, if any.

18.5 To advise the Trustee in writing, no later than 30 days from the date of issue of the Debentures (Series A), pursuant to this Deed, an amortization table for the payment of the Debentures (principal and interest).

18.6 To deliver to the Trustee a signed written notice by the chief financial officer of the Company, within 5 business days, of the performance of any payment to the Debenture Holders and the remaining amounts which the Company owes, on that date, to the Debenture Holders, after the performance of the above payment.

18.7 To deliver to the Trustee, immediately upon receipt thereof, any report that it is required to submit to the Securities Authority, an Immediate Report via the Magna

system and any report or information that will be published (in full) by the Company on the Magna system shall be deemed to have been delivered to the Trustee. Notwithstanding the aforesaid, at the Trustee's request, the Company shall deliver to the Trustee a printed copy of the report or information as aforesaid.

18.8 To deliver to the Trustee copies of notices and invitations issued by the Company and/or the Trustee to the Debenture Holders, as stated in section 28 of this Deed.

18.9 To cause the chief financial officer of the Company to provide the Trustee and/or such persons as he may instruct, within 5 business days of the request of the Trustee, any explanation, document, calculation or information regarding the Company, its business and/or assets, which shall be reasonably required, at the Trustee's reasonable discretion, for the purpose of reviews conducted by the Trustee to protect the Debenture Holders.

18.10 To invite the Trustee to attend general meetings (whether annual general meetings or extraordinary general meetings of shareholders of the Company) of shareholders of the Company (with no participation or voting rights) that shall take place in Israel (in as much as they take place). The publication of an invitation to a general meeting of shareholders of the Company via the Magna system shall be deemed as invitation of the Trustee for purposes of this section. For as long as the Company is a debenture company (as defined in the Companies Law) - to provide the Trustee with signed minutes of shareholders meetings within one business day of the date of signing said minutes.

18.11 As long as the Series A Debentures have not been repaid in full, to provide the Trustee with the following reports:

18.11.1 Audited annual financial statements of the Company, and reviewed quarterly financial statements of the Company, no later than the dates designated therefor in accordance with the Securities Law, even if the Company ceased to be a reporting corporation.

18.11.2 If and as long as the Company is a public company (as the term is defined in the Companies Law) – a copy of each document transmitted by the Company to all its shareholders or to all the holders of the Debentures and details of any information transmitted to them by the Company by other means, including any report submitted by law to the Securities Authority (Immediate

Reports), immediately upon its publication. As long as the Company is a debenture company – to provide the Trustee with a copy of each document transmitted by the Company to all the holders of the Debentures and details of any information transmitted to them by the Company by other means, including any report submitted by law to the Securities Authority (Immediate Reports), immediately upon its publication. An Immediate Report through Magna and any report or information which will be published by the Company through Magna will be considered as having been delivered to the Trustee.

18.11.3 To provide the Trustee, at its first written request, with a signed written confirmation by an accountant that all the payments to the Holders of the Debentures have been made on time, and the balance of nominal value of the outstanding Debentures.

18.11.4 If the Company ceased to be a reporting corporation, the Company shall provide with the Trustee, in addition to the provisions of sections 18.3 to 18.11 above, annual, quarterly and Immediate Reports, as specified below:

(a) An annual report that includes the information specified in Appendix 5.2.4.8 to Chapter 4 of Part II (Management of Investment Assets and Provision of Credit) Title 5 (Principles of Business Management) of the Consolidated Circular3 or as shall be updated from time to time, no later than 60 days from the date in which the Company would have been required to publish its financial statements had it been a reporting corporation;

(b) A quarterly report that includes the information specified in Appendix 5.2.4.9 to Chapter 4 of Part II (Management of Investment Assets and Provision of Credit) Title 5 (Principles of Business Management) of the Consolidated Circular1 or as shall be updated from time to time, no later than 30 days from the date in which the Company would have been

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[3] http://ozar.mof.gov.il/hon/2001/law/Codex.asp

required to publish its financial statements had it been a reporting corporation.

(c) An Immediate Report upon the occurrence of any of the events specified in Appendix 5.2.4.10 to Chapter 4 of Part II (Management of Investment Assets and Provision of Credit) Title 5 (Principles of Business Management) of the Consolidated Circular1 or as shall be updated from time to time. The report will be published on the date in which the Company would have been required to report the event pursuant to Regulation 30(B) of the Securities Regulations (Periodic and Immediate Reports), 1970 and or any regulation that replaces it.

18.12 To deliver to the Trustee no later than 5 business days from the date of the request of the Trustee, upon his request, a declaration and/or declarations and/or documents and/or details and/or additional information on the Company (including explanations, documents and calculations regarding the Company, its business or assets) and to instruct its accountant and its legal consultants to do same, upon reasonable request in writing by the Trustee, no later than 7 business days from the date of request by the Trustee, if, in the Trustee's reasonable opinion, the information is required by the Trustee to exercise the powers and authority of the Trustee and/or his representative under the Trust Deed, including information that could be essential in protecting the rights of the Debenture Holders provided the Trustee acted in good faith, and subject to the confidentiality undertaking, as stated in section 31.12 below.

18.13 To deliver to the Trustee all the reports or notices as specified in Article 35J of the Law.

18.14 No later than 10 business days after the publication of the Company's annual or quarterly financial statements, as the case may be, the Company shall furnish to the Trustee a written detailed confirmation with the addition of an active Excel file, signed by the chief financial officer, regarding the Company's compliance with the financial covenants set forth in section 6.4 of this Deed. The Trustee will rely on the said certification and will not be required to carry out further examination on its behalf.

18.15 No later than 10 business days after the publication of the Company's quarterly financial statements, and as long as this Deed of Trust is in effect, the Company shall furnish to the Trustee, a written confirmation by the Company, signed by authorized

signatories on its behalf as well as the Chairman of its Board of Directors and/or General Manager, that during the period from the date of the Deed and/or the date of the previous confirmation delivered to the Trustee, whichever is later, and until the date of the confirmation, the Company was not in violation of this Deed and the terms of the Debentures (Series A), unless it expressly states otherwise.

18.16 On April 10 of each year, for the previous calendar year, and as long as this Deed of Trust is in effect, the Company shall deliver to the Trustee, a written confirmation signed by the chief financial officer of the Company with regard to interest payments and/or payments on account of the principal, in connection with the Debentures (Series A), which became due prior to the date of confirmation, and the date of payment, and the balance of nominal value of outstanding Debentures (Series A) as of the date of confirmation; as well as confirmation by a director of the Company and by its general manager, that on the year ended December 31 the Company was not in breach of the terms and restrictions stipulated in the Deed of Trust (including specific terms and restrictions in the Deed and in the Debentures, which the Trustee shall ask the Company to address in the confirmation), unless expressly stated otherwise in the said confirmation.

18.17 Inform the Trustee in writing of any change in its name or address

18.18 The Trustee may instruct the Company to report forthwith on the Magna system, in the Trustee's name, any report the wording of which shall be delivered in writing by the Trustee to the Company, and the Company shall be obligated to report the said report.

19. <u>Additional undertakings</u>

19.1 To the extent that the Debentures are declared due and payable, as defined in section 7 above, the Company shall perform, from time to time and any time it is required by the Trustee, all the reasonable acts to enable the exercise of the powers vested in the Trustee, and in particular the Company shall take the following actions, no later than 7 business days from the date of request by the Trustee:

19.1.1 Make the statements and/or sign all the documents and/or execute and/or cause the execution of all the necessary or required actions under the law, in order to validate the exercise of the powers and authority of the Trustee and/or its representative under this Trust Deed.

19.1.2 Give all the notices, instructions and orders that the Trustee considers beneficial and requires same for the purpose of implementing the provisions of the Trust Deed.

19.2 For purposes of this section – a signed written notice by the Trustee, confirming that an action required by it, within its powers, is a reasonable action, shall constitute prima facie evidence.

20. Agents

20.1 The Company hereby irrevocably appoints the Trustee as its agent, to execute and carry out in its name and in its stead, all the technical actions that it will be required to carry out under the terms of this Deed, and in general to act in its name in relation to the actions that the Company is obligated to carry out under this Deed and has not carried out or to exercise part of the powers it holds, and to appoint any other person as the Trustee deems fit to perform its duties under this Deed, provided the Company has not carried out the actions it is required to carry out under the terms of this Deed within 14 days as determined by the Trustee, as of the date of the Trustee's instruction, and provided it acted reasonably.

20.2 An appointment as stated in section 20.1 above shall not obligate the Trustee to take any action and the Company hereby exempts the Trustee and its representatives in the event that they do not take any action, and the Company hereby waives any claim toward the Trustee and its representatives in respect of any damage that was incurred or may be incurred to the Company directly or indirectly, in respect of that, on the basis of any action that was not taken by the Trustee and its representatives as aforesaid.

21. Other Agreements

Subject to the provisions of the Law and the restrictions imposed on the Trustee under the law, the fulfillment of its role as Trustee, under this Deed, or its very status as Trustee, shall not prevent the Trustee from entering into various agreements with the Company, or entering into transactions with the Company in the ordinary course of its business, provided that the Trustee has no conflict of interest with his service as Trustee for the Debentures (Series A)..

22. Trusteeship reports

22.1 The Trustee shall be required to submit a report with regard to the acts performed by it in accordance with the provisions of Article 35 H(1) of the Securities Law.

22.2 Until June 30 of each year the Trustee shall prepare an annual report for the previous calendar year on trust affairs (hereinafter: the "**the Annual Report**"). The annual report will include details of the following items:

22.2.1 Ongoing details of the trust issues in the past year.

22.2.2 A report of irregular events in connection with the trusteeship that occurred in the past year.

22.3 The Trustee will publish (itself or through the Company at the Trustee's request) the annual report on the Magna system.

22.4 If the Trustee learns of a material breach of the terms of this Deed and/or the terms of the Debentures (Series A) of the Company, on the part of the Company, as from public reports issued by the Company or the Company's notice to the Trustee pursuant to section 18.4 above, it will notify the Debenture Holders (Series A) of such breach and the steps taken by the Trustee to prevent it or to enforce the Company's compliance with the obligations, as the case may be. Such duty shall not apply if this is an event that was published by the Company under the law. Such duty of the Trustee is subject to its knowledge of the said breach.

22.5 The Trustee shall inform the Company of each submitted report pursuant to this section 22.

23. Remuneration of the Trustee and reimbursement of its expenses

The Company shall pay the Trustee a fee as specified in Appendix 23 of this Deed.

24. Special powers

24.1 The Trustee will be entitled to deposit all the deeds and documents which evidence, represent and/or specify its right under this Deed including in connection with any asset held by it at the time, in a safe and/or at another place it may choose, with any banker and/or bank and/or with an attorney.

24.2 The Trustee may, as part of the execution of the Trust affairs under this Deed, to enlist the opinion and/or advice of any attorney, accountant, appraiser, assessor, surveyor, mediator or other specialist (hereinafter: "**the Consultants**") and to act in accordance with its conclusions, whether such opinion or advice has been prepared at the request of the Trustee and/or at the Company, and the Trustee shall not be responsible for any loss or damage caused in consequence of any act and/or omission performed by it, on the

basis of such advice or opinion, unless a peremptory judgment has determined that the Trustee has acted negligently (except for negligence which is exempt by law as shall be in effect from time to time and/or in bad faith and/or maliciously). The Trustee shall provide a copy of such opinion or advice to the Debenture Holders (subject to proof of ownership of the Debentures), at their request. The Company shall incur all the expenses of employing the Consultants who are appointed as aforesaid, provided, insofar as necessary under the circumstances of the matter and to the extent that this shall not prejudice the rights of the holders, that the Trustee gives the Company prior notice of its intent to obtain such expert opinion or advice. It is clarified that the publication of the results of a meeting of debenture holders with respect to a resolution to appoint the said Consultants shall constitute sufficient notice to the Company for purposes of this section.

24.3 Any such advice and/or opinion may be given, forwarded or received by means of a letter, telegram, facsimile and/or any other electronic means for transmission of information, and the Trustee shall not be responsible for any acts performed by it on the basis of any advice and/or opinion and/or information transmitted in one of the aforesaid manners, notwithstanding that it contained errors and/or was not authentic, unless such errors could have been detected under a reasonable examination.

24.4 Subject to any law, the Trustee shall not be obligated to inform any party of the signing of the Deed of Trust and may not intervene in any way whatsoever in the management of the Company or its affairs, unless it is pursuant to the authority vested in the Trustee under this Deed or as agreed between the Company and the Debenture Holders (Series A) and the Trustee. Nothing stated in this section shall limit the Trustee in the actions it is required to perform under the Trust Deed.

24.5 The Trustee shall use the trust, powers, authorizations and authorities conferred on it under this Deed, at its absolute discretion and subject to the other provisions of this Deed. In doing so, it shall not be responsible for any damage and/or loss and/or expense caused to the Company and/or the Debenture Holders and/or which they will have to incur in consequence of any act and/or omission performed by the Trustee , including as a result of errors in judgment, unless a peremptory judgment has determined that the Trustee has acted negligently (except for negligence which is exempt by law as shall be in effect from time to time) and/or in bad faith or maliciously or in violation of the provisions of this Deed, all subject to and in accordance with the statutory provisions.

25. The Trustee's power to engage agents

The Trustee may, as part of the management of trust affairs, appoint an attorney or other agent/s to act in its stead, to perform or participate in the performance of special acts to be performed with respect to the trust and pay a reasonable fee to any such agent, and, without derogating from the generality of the foregoing, institution of legal proceedings. The Trustee may also pay, at the Company's expense, the fees of any such agent including by deducting the payment from the funds received by it and the Company shall reimburse the Trustee immediately upon its first request for any such expense, all provided the Trustee gave the Company advance notice regarding the appointment of agents as aforesaid insofar as it is possible under the circumstances and to the extent that this will not prejudice the rights of the holders. It is clarified that the publication of the results of a holders meeting with respect to a resolution to appoint agents as aforesaid shall constitute sufficient notice for the Company.

It is clarified that the appointment of said agent shall not release the Trustee from any responsibility for its actions and for the actions of its agents.

26. Indemnification of the Trustee

26.1 The Company and the debenture holders (on the relevant effective date as provided in section 26.6 of the Deed of Trust, each in respect of their undertaking as provided in section 26.4 of the Deed of Trust) hereby undertake to indemnify the Trustee and all its officers, employees and shareholders and any proxy or expert appointed by it (hereinafter: "**Parties Entitled to Indemnification**"):

26.1.1 For any damage and/or loss and/or for any monetary charge under any judgment (for which no stay of execution was granted) or under any completed settlement (and insofar as the settlement relates to the Company, the Company gave its agreement thereto), arising from actions that were performed by the parties entitled to indemnification or which they are required to perform under the provisions of this Deed and/or by law and/or by order of a competent authority and/or in accordance with any statute and/or upon the demand of the holders of Debentures (Series A) and/or upon the Company's demand; and

26.1.2 For the fee of the parties entitled to indemnification and expenses which they incurred and/or are about to incur, and for any damage and/or loss caused to them due to actions which they performed or are required to

perform under the provisions of this Deed and/or by law and/or by order of a competent authority and/or in accordance with any statute and/or upon the demand of the holders of Debentures (Series A) and/or upon the Company's demand and/or in connection with the exercise of powers and authorizations conferred by this Deed and in connection with all kinds of legal proceedings, opinions of lawyers and other experts, negotiations, discussions, expenses, claims and demands relating to any matter and/or thing done and/or not done in any way in connection with the subject matter hereof.

All on condition that:

26.1.3 The parties entitled to indemnification do not demand to be indemnified in advance in a matter that does not brook delay (without prejudice to their right to retroactive indemnification);

26.1.4 It was not determined in a peremptory rule that the parties entitled to indemnification acted in bad faith and the action was done outside the framework of their duties, not in accordance with the statutory provisions and/or not in accordance with this Deed of Trust;

26.1.5 It was not determined in a peremptory rule that the parties entitled to indemnification were guilty of non-exempt negligence under any law as in effect from time to time;

26.1.6 It was not determined in a peremptory rule that the parties entitled to indemnification acted willfully.

The indemnification undertaking under this section 26.1 is hereinafter referred to as the "**Indemnification Undertaking**."

It is hereby agreed that in the event it is alleged against the parties entitled to indemnification that: (1) they acted in bad faith, or outside the framework of their duties, or not in accordance with the statutory provisions or the Deed of Trust; and/or (2) they were guilty of non-exempt negligence under any law; and/or (3) they acted willfully – the parties entitled to indemnification shall be entitled, immediately upon demand, to payment of the amount of the indemnification undertaking. However, where it has been determined in a peremptory rule that the parties entitled to indemnification did in fact act in the manner alleged against

them as set forth above, they shall refund the amounts of the indemnification undertaking that were paid to them.

26.2 Without derogating from the compensation rights granted to the Trustee by law and subject to the provisions of this Deed and/or the Company's obligations under this Deed, the parties entitled to indemnification may be indemnified out of the monies received by the Trustee from proceedings instituted by it, with respect to obligations which they assumed, with respect to reasonable expenses which they incurred in connection with the performance of the trust or in connection with such actions as in their opinion were required for said performance and/or in connection with the exercise of the powers and authorizations conferred by this Deed and in connection with all kinds of legal proceedings, opinions of lawyers and other experts, negotiations, discussions, claims and demands relating to any matter and/or thing done and/or not done in any way in connection with the subject matter hereof, and the Trustee may withhold the monies held by it and pay out of them the amounts necessary for the payment of such indemnification. All the above amounts shall have priority over the rights of the holders of Debentures (Series A), subject to any statutory provisions and provided that the Trustee acted in good faith and in accordance with the duties imposed on it by any statute and by this Deed. For purposes of this section, an action of the Trustee that was approved by the Company and/or the debenture holders shall be deemed an action that was reasonably required.

26.3 Without derogating from the validity of the indemnification undertaking in section 26.1 above, where the Trustee is obligated by the terms of the Deed of Trust and/or by law and/or by order of a competent authority and/or in accordance with any statute and/or upon the demand of the holders of Debentures (Series A) and/or upon the Company's demand to do any action, including but not limited to the institution of proceedings or the filing of claims upon the demand of the holders of Debentures (Series A), the Trustee may abstain from taking any such action until it receives from the Company, to its satisfaction, a monetary deposit in the amount required to cover the indemnification undertaking (hereinafter: "**the financing cushion**"), with first priority, and in the event that the Company does not deposit the full amount of the financing cushion within the time it was required to do so by the Trustee, the Trustee shall address to the holders of

Debentures (Series A) on the effective date (as provided in section 26.4 below) a request to deposit the financing cushion with it, each according to their proportionate share (as this term is defined hereinafter). If the holders of Debentures (Series A) do not actually deposit the full amount of the required financing cushion, the Trustee shall not be obligated to take the relevant action or institute the relevant proceedings. The foregoing shall not exempt the Trustee from taking any urgent action required to prevent material harm to the rights of the holders of Debentures (Series A).

The Trustee is authorized to determine the amount of the financing cushion, and it shall be entitled to act again to create an additional financing cushion, from time to time, in an amount to be determined by it.

26.4 The indemnification undertaking:

26.4.1 Shall apply to the Company in case of: (1) actions that were performed according to the Trustee's judgment and/or in accordance with any statute and/or that were required to be performed under the terms of this Deed of Trust or for protecting the rights of the debenture holders (including due to a holder's demand required for such protection); and (2) actions that were performed and/or that were required to be performed upon the Company's demand.

26.4.2 Shall apply to holders on the effective date (as provided in section 26.6 of the Deed of Trust) in case of: (1) actions that were performed and/or that were required to be performed upon the demand of the debenture holders (excluding actions taken as stated upon the demand of holders for protecting the rights of the debenture holders); and (2) nonpayment by the Company of the amount of the indemnification undertaking due from it under section 26.3 of the Deed of Trust (subject to the provisions of section 26.6 of the Deed of Trust). It is clarified that payment in accordance with subsection (2) above shall not derogate from the Company's obligation to bear the indemnification undertaking in accordance with the provisions of section 26.4.1.

26.5 If the Company fails to pay the full amount required to cover the indemnification undertaking, and/or does not deposit the full amount of the financing cushion, as

the case may be, and/or if the holders were called upon to deposit the amount of the financing cushion under section 26.2 above, the following provisions shall apply:

26.5.1 First – The amount shall be financed out of the amounts of interest and/or principal which the Company is required to pay to the holders of Debentures (Series A) after the date of the required action, and the provisions of section 11 above shall apply.

26.5.2 Second – If in the Trustee's opinion the amounts deposited in the financing cushion are not enough to cover the indemnification undertaking, the holders on the effective date (as provided in section 26.4 above) shall deposit, each according to their proportionate share (as this term is defined) the missing amount with the Trustee.

"**Proportionate share**" means: The proportion of the Debentures (Series A) held by the holder on the relevant effective date as provided in section 26.4 above out of the nominal amount in circulation on that date. It is clarified that the calculation of the proportionate share shall remain fixed even if after that date there is a change in the par value of the Debentures held by the holder.

It is clarified that the debenture holders who are liable to cover expenses as provided in this section above, may bear expenses as provided in this section above, beyond their proportionate share, and in such case the order of priorities as provided in section 10 of this Deed shall apply to the reimbursement of the amounts.

26.6 The effective date for determining the obligation of a holder in respect of the indemnification undertaking and/or payment of the financing cushion is as follows:

26.6.1 If the indemnification undertaking and/or payment of the financing cushion is required pursuant to a resolution or an urgent action necessary to prevent **material harm to the rights of the holders** of Debentures (Series A), without a prior resolution of the meeting of holders of Debentures (Series A) – the effective date for the obligation shall be the end of the trading day on the day when the action was taken or the

resolution was adopted, and if that day is not a trading day, then the previous trading day.

26.6.2 If the indemnification undertaking and/or payment of the financing cushion are required pursuant to a resolution of a meeting of holders of Debentures (Series A) – the effective date for the obligation shall be the effective date for participation in the meeting (as such date was specified in the notice of invitation).

26.7 The payment by the holders in place of the Company of any amount that is due from the Company under this section 26, shall not release the Company from its obligation to bear such payment.

26.8 With respect to priority in reimbursing holders who bore payments under this section out of the receipts held by the Trustee, see section 10 above.

27. Notices

Any notice by the Company and/or the Trustee to the debenture holders shall be given as follows:

27.1 By reporting on the Magna system of the Securities Authority; the Trustee may instruct the Company and the Company shall be obligated to make immediately on the Magna system, on the Trustee's behalf, any report in the wording provided in writing by the Trustee to the Company and solely in the cases specified below, plus by the publication of a notice in two daily newspapers with a wide distribution published in Hebrew in Israel: (a) any arrangement or settlement under section 350 of the Companies Law, 5759-1999; (b) merger. Any notice published or sent as stated, shall be deemed to have been delivered to the debenture holders on the day of its said publication (on the Magna system or in the press, as applicable).

27.2 Any notice or demand by the Trustee to the Company or by the Company to the Trustee may be delivered by a letter sent by registered mail to the address specified in the Deed of Trust, or to another address of which one party has notified the other in writing (including an email address), or by sending by fax or by messenger, and any such notice or demand shall be deemed to have been received by the Company: (1) if sent by registered mail – at the end of three business days from the date of its deposit at the post office; (2) if sent by fax

(together with a telephone verification of receipt) – at the end of one business day from the day of its sending; (3) if sent by messenger – upon its delivery by the messenger at the address or upon its presentation to the addressee for acceptance, as the case may be; (4) and if sent by email – on the date of confirmation of receipt by return email (which is not an automated return email).

27.3 It should be noted that with respect to any notice the Company is required to provide to the Trustee under this Deed of Trust, a report through Magna will constitute notification to the Trustee.

28. <u>Waiver, settlement and alterations to the Deed of Trust</u>

28.1 Subject to any statutory provisions, except with respect to: (1) dates and payments under the terms of the Debentures (including a technical change in the times or in the effective date for their payment); (2) the interest rate including the additional interest rate resulting from non-compliance with the financial covenants and from changes in rating; (3) terms of repayment of the Debentures and grounds for immediate repayment of the Debentures; (4) reducing the interest rate stated on the Debentures; (5) a waiver regarding the implementation of payments and reports that the Company must provide to the Trustee ; (6) provisions relating to the expansion of the series; (7) financial covenants; (8) distribution restrictions; (9) provisions regarding a negative pledge; the Trustee may, from time to time and whenever, in its opinion, this does not harm the rights of the holders of Debentures (Series A), forgive any violation or non-fulfillment of any of the terms of the Debentures or non-fulfillment of any of the terms of the Deed of Trust by the Company.

28.2 Subject to any statutory provisions and with the prior approval of the debenture holders in a special resolution, the Trustee may, whether before or after the principal of the Debentures (Series A) has come due, settle with the Company regarding any right or claim of the holders of Debentures (Series A), waive any right or claim of the holders of Debentures (Series A) or any of them against the Company under the Deed of Trust and the Debentures (Series A), and agree with the Company on any arrangement with respect to their rights.

28.3 If the Trustee settled with the Company, waived any right or claim of the holders of Debentures (Series A) or agreed with the Company on any arrangement with

respect to the rights of the holders of Debentures (Series A), after it received the prior approval of the meeting of holders of Debentures (Series A) as provided above, the Trustee shall be exempt from liability in respect of such action, as it was approved by the general meeting, provided the Trustee did not breach its fiduciary duty and did not act in bad faith or willfully in the implementation of the resolution of the general meeting.

28.4 Without derogating from the generality of the foregoing, subject to any statutory provisions, the Company and the Trustee may, whether before or after the principal of the Debentures has come due, modify the Deed of Trust including its appendices (including an alteration to the terms of the Debentures (Series A)), if either of the following is fulfilled:

(a) If the Trustee is satisfied that the alteration does not harm the holders of Debentures (Series A) (except with respect to: (1) dates and payments under the terms of the Debentures (but including a technical change in the dates or in the effective date for their payment); (2) the interest rate including the additional interest rate resulting from non-compliance with the financial covenants and from changes in rating; (3) the terms of repayment of the Debentures and grounds for demanding immediate repayment of the Debentures; (4) a decrease in the interest rate specified in the Debentures; (5) a waiver with respect to payments and reports which the Company is required to make to the Trustee; (6) provisions regarding the expansion of the series; (7) financial covenants; (8) distribution restrictions; (9) provisions regarding a negative pledge - which the Trustee may not agree to alterations and/or waivers therein or in regard thereto), provided it notified the holders of Debentures (Series A) in writing to that effect.

(b) The amendment was approved by the holders of Debentures (Series A) in a special resolution.

The Company shall deliver to the debenture holders a notice by means of an Immediate Report via the Securities Authority's Internet site (the Magna system), with respect to any alteration as above, immediately after it was made.

If the Trustee exercises its right under this section, it may require the holders of Debentures (Series A) to deliver the debenture certificates to it or to the Company

for recording therein a caveat regarding any settlement, waiver, alteration or amendment as stated, and the Company shall record such a caveat at the Trustee's request. If the Trustee exercises its right under this section, it shall give the holders of Debentures (Series A) a written notice to that effect within a reasonable time.

29. Register of Debenture Holders

29.1 The Company shall maintain and manage at its registered office a register of holders of Debentures (Series A) in accordance with the Securities Law, which shall be open to inspection by any person.

29.2 The Company shall not be obligated to record in the register of holders of Debentures (Series A) any notice concerning an explicit, implicit or presumed trust, or a pledge or charge of any nature and kind, or any equitable right, claim or offset or any other right, in connection with the Debentures (Series A). The Company shall only recognize the title of the person in whose name the Debentures were registered, provided always that the legal heirs, administrators of the estate or executors of the will of the registered owner and any person becoming entitled to Debentures due to the bankruptcy of any registered owner (and in the case of a corporation – due to its winding up) shall be entitled to be registered as the holder, after producing proofs which in the opinion of the Company's managers suffice to establish his right to be registered as a debenture holder.

30. Release

Upon proof to the Trustee's satisfaction that all the Debentures (Series A) were paid or redeemed or upon the Company's depositing in trust with the Trustee amounts sufficient for the full and final redemption of the Debentures at par, and upon proof to the Trustee's satisfaction that its entire fee and all the expenses incurred by the Trustee and/or its proxies in connection with its activity under the Deed of Trust and in accordance with its instructions were fully paid to it, the Trustee shall be obligated, upon the Company's first demand, to act with the monies deposited with it in respect of Debentures (Series A) whose redemption was not demanded in accordance with the terms of this Deed.

31. Appointment of Trustee; Trustee's Duties; Trustee's Powers; Termination of Trustee's Office

31.1 The Company hereby appoints the Trustee as Trustee for the holders of Debentures (Series A) only, pursuant to the provisions of section 35B of the Securities Law.

31.2 The term of the appointment of the Trustee shall be until the date of convening of a holders' meeting in accordance with the provisions of section 35B (a1) of the Securities Law.

31.3 From the effective date of this Deed of Trust, the Trustee's duties shall be in accordance with any statute and this Deed.

31.4 The Trustee shall act in accordance with the provisions of the Securities Law.

31.5 The Trustee shall represent the holders of Debentures (Series A) in any matter arising from the Company's obligations towards them, and for this purpose it may act to realize the rights vested in the holders by law or by the Deed of Trust.

31.6 The Trustee may institute any proceeding to protect the holders' rights in accordance with any statute and as set forth in this Deed of Trust.

31.7 The Trustee may appoint agents as set forth in section 25 of this Deed.

31.8 The Trustee's actions shall be valid even if a defect is discovered in its appointment or capacity.

31.9 The Trustee's signature on this Deed of Trust does not constitute an expression of its opinion regarding the quality of the offered securities or the profitability of investing in them.

31.10 The Trustee is not obligated to notify any party of the signing of this Deed. The Trustee may not intervene in any way in the management of the Company's business or interests, and this is not included among its duties. Nothing stated in this section shall restrict the Trustee in any action it is required to perform in accordance with the provisions of this Deed.

31.11 Subject to any statutory provisions, the Trustee is not obligated and does not have a responsibility to act in a manner not provided for explicitly in this Deed of Trust, so that any information, including about the Company and/or in connection with the Company's ability to meet its obligations towards the debenture holders, comes to its attention.

31.12 Subject to any statutory provisions and the provisions of this Deed of Trust, by signing this Deed the Trustee undertakes to keep confidential any information provided to it by the Company, not to disclose it to another and not to use it in any way, unless such disclosure or use is required for the fulfillment of its function in accordance with the Securities Law, the Deed of Trust or a court order. Said duty of confidentiality shall also apply to any proxy of the Trustee (including any consultant, representative, etc.). It is clarified that the transfer of information to the debenture holders for the purpose of reaching a decision relating to their rights under the debenture or for the purpose of reporting on the Company's condition does not constitute a violation of said confidentiality undertaking.

31.13 The Trustee may rely in the framework of its trusteeship on any written document, including any letter of instruction, notice, request, consent or approval, purporting to be signed or issued by any person or entity who the Trustee believes in good faith to have signed or issued it.

31.14 The provisions of the Securities Law shall apply to the termination of the office of the Trustee.

31.15 Upon the expiration of the office of the Trustee, a new Trustee shall be appointed in its place in the holders' meeting.

31.16 Notwithstanding the foregoing, a holders' resolution to terminate the office of the Trustee and replace it with another Trustee shall be passed at a meeting at which holders of 50% of the nominal value of outstanding Debentures from the relevant series are present, or at an adjourned meeting at which holders of at least 10% of such balance are present, by a majority of 75%.

31.17 Subject to any statutory provisions, the Trustee whose office has expired shall continue in office up to the appointment of another Trustee. The Trustee shall transfer to the new Trustee all the documents and amounts that accumulated with it in connection with the trust under the Deed of Trust for the relevant series and shall sign any document require for this purpose. Any new Trustee shall have the same powers, duties and authorities and shall be able to act in all respects as if it had been appointed as the Trustee from the outset.

31.18 The Company shall issue an Immediate Report in the event of the Trustee's resignation and/or the appointment of another Trustee.

32. Meetings of Debenture Holders

Meetings of holders of Debentures (Series A) shall be conducted as provided in the **Second Schedule** to this Deed.

33. Governing Law

The law governing the Deed of Trust and its appendices, including the Debentures, is the Israeli law. In any matter not referred to in this Deed and in case of a contradiction between the statutory provisions and this Deed, the parties shall act in accordance with the provisions of the Israeli law.

34. Exclusive Jurisdiction

The sole court with jurisdiction to consider matters related to this Deed and its appendices and to the debenture appended hereto shall be the competent court in Tel Aviv-Jaffa.

The Company, the controlling shareholder and the officers of the Company on the date of the Prospectus shall not oppose an application by the Trustee and/or the holders of Debentures (Series A) to a court in Israel, if any is submitted, for the application of Israeli law in case of a settlement and arrangement and insolvency, they will not apply at their initiative to a court outside Israel to receive protection against a proceeding that is instituted by the Trustee and/or the holders of Debentures (Series A) of the Company with respect to settlement, arrangement and/or insolvency, and they will not object if the court in Israel seeks to apply the Israeli law in the case of a settlement and arrangement and insolvency.

Furthermore, the Company, the controlling shareholder and the officers of the Company on the date of the Prospectus irrevocably undertake not to raise arguments against the local jurisdiction of the court in Israel in connection with the said proceedings that are brought by the Trustee and/or the holders of Debentures (Series A) of the Company.

In addition to the foregoing, the Company undertakes to furnish to the Trustee within 24 hours of the signature of this Deed, irrevocable written undertakings of all the controlling persons in the Company and of the officers serving in the Company on the date of signature of this Deed, and to act such that immediately following the appointment of additional officers in the Company and/or a change in the controlling shareholder in the Company, as applicable, irrevocable written undertaking of such officer and/or controlling shareholder, as applicable (hereinafter: "**Undertakings by the Controlling Shareholder**

and Officers"), not to oppose a request by the Trustee and/or the holders of Debentures (Series A) submitted to a court in Israel for the application of the Israeli law in case of a settlement and arrangement and/or insolvency of the Company, if submitted, not to apply at their initiative to a court outside Israel to receive protection against a proceeding that is instituted by the Trustee and/or the holders of Debentures (Series A) of the Company, not to object if a court in Israel seeks to apply the Israeli law in case of a settlement and arrangement and insolvency of the Company, and not to raise arguments against the local jurisdiction of the court in Israel in connection with proceedings that are brought by the Trustee and/or the holders of Debentures (Series A) of the Company.

For the avoidance of doubt, it is clarified and emphasized that the undertakings by the controlling shareholder and officers shall also explicitly include an irrevocable undertaking not to institute at their initiative an insolvency proceeding under any foreign law in a jurisdiction that is not Israel.

The undertakings by the controlling shareholder and officers shall be attached to the Immediate Report concerning the appointment of the officer issued by the Company in accordance with the statutory provisions, as part of the pre-offering reports and at the time of the appointment of any officer and/or entry of a new controlling person during the life of the Debentures (Series A).

35. <u>General</u>

Without derogating from the other provisions of this Deed and the Debentures (Series A), any waiver, time extension, relaxation, silence or inaction (hereinafter: "**Waiver**") on the part of the Trustee with respect to the non-fulfillment or partial or incorrect fulfillment of any of the undertakings towards the Trustee under this Deed and the Debentures (Series A), shall not be deemed as the Trustee's waiver of any right but only as consent limited to the particular occasion on which it was given. Without derogating from the other provisions of this Deed and the Debentures (Series A), any change in the undertakings towards the Trustee requires the Trustee's prior written consent. Any other consent, whether verbal or by way of waiver and inaction or other than in writing, shall not be deemed ant type of consent. The Trustee's rights under this agreement are autonomous and independent of each other and are in addition to any existing and/or future right of the Trustee by law and/or agreement (including this Deed and the Debenture (Series A)).

36. <u>Trustee's Liability</u>

36.1 Notwithstanding any statutory provision and any provision of the Deed of Trust, if the Trustee acted for the fulfillment of its duties in good faith and within a reasonable time and clarified the facts which a reasonable Trustee would have clarified in the circumstances of the case, then it shall not be liable towards any debenture holder for damage caused to him by the Trustee having exercised its discretion in accordance with the provisions of section 35H(d1) or 35I1 of the Law, unless the plaintiff proves that the Trustee acted with gross negligence. It is clarified that if a contradiction arises between the provision of this section and any other provision of the Deed of Trust, the provision of this section shall prevail.

36.2 If the Trustee acted in good faith and without negligence that is not exempt under the law, in accordance with the provisions of section 35H (d2) or 35H (d3) of the Law, it shall not be liable for the performance of such action.

37. Addresses

The parties' addresses shall be as set out in the preamble to this Deed and in section 5.10 above, or any other address regarding which a suitable written notice is given to the other party.

38. Magna Authorization

In accordance with the provisions of the Securities Regulations (Electronic Signature and Reporting), 5763-2003, the Trustee hereby authorizes the person authorized for that purpose by the Company to report electronically to the Securities Authority regarding this Deed of Trust.

In witness whereof the parties have hereunto set their hands:

Urbancorp Inc.	**Reznik Paz Nevo Trusts Ltd.**

I, the undersigned, Adv. Nir Cohen Sasson, from the office of Shimonov & Co. – Law Firm, certify that this Deed of Trust has been signed by the authorized signatories of Urbancorp Inc.,

through Mr. Alan Saskin and his signature is binding on the Company in connection with this Deed of Trust.

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Nir Cohen Sasson, Adv.

Urbancorp Inc.

First Schedule

Certificate of Debenture (Series A)

Issue of a series of up to NIS 200,000,000 par value of registered Debentures (Series A), bearing fixed annual interest at a rate to be determined in a tender (hereinafter: the "**Interest**") and repayable (principal) in five (5) unequal payments on December 31, 2017, June 30, 2018, December 31, 2018, June 30, 2019 and December 31, 2019 (inclusive) such that the first payment will constitute 10% of the total nominal value of the principal of the Debentures (Series A), the second, third and fourth payments will constitute 22% of the total nominal value of the principal of the Debentures (Series A) and the fifth payment will constitute 24% of the total nominal value of the principal of the Debentures (Series A). The interest on the Debentures (Series A) will be paid in two semiannual installments, the first installment to be paid on June 30, 2016 and on December 31 and June 30 of each subsequent calendar year starting from December 31, 2016 to December 31, 2019. The interest will accumulate from the date of the allocation of the Debentures (Series A) until the final repayment date on December 31, 2019.

Registered Debenture (Series A)

No. 1

Par value NIS _____

Fixed annual interest at a rate to be determined in a tender

1. This certificate attests that Urbancorp Inc. ("**the Company**") will pay on December 31 of each of the years 2017 to 2019 to the Nominee Company of Mizrahi Tefahot Registration Company Ltd. or to whoever is the registered holder of this debenture ("**Holder of Debenture (Series A)**") on December 25, 2017, June 24, 2018, December 25, 2018, June 24, 2019 and December 25, 2019 (respectively), 10%, 22%, 22%, 22% and 24% (respectively) of the nominal principal of the outstanding Debentures (Series A), all in accordance with the other terms set forth in the Deed of Trust and in the Overleaf Terms.

2. The final installment of the principal and the final installment of interest will be paid against the delivery of the certificates of the Debentures (Series A) by the Company on the final payment date (namely, December 31, 2019), at the Company's registered office or at another place as notified by the Company. Such notice of the Company will be published no later than five (5) business days prior to the final payment date.

3. The Debentures (Series A) are issued in accordance with a Deed of Trust ("**Deed of Trust**") dated December 7, 2015 signed between the Company and Reznik Paz Nevo Trusts Ltd. ("**the Trustee**").

4. All the Debentures (Series A) will rank *pari passu* with one another with respect to the Company's obligations thereunder, without one having a preferred right or priority over another.

5. This Debenture (Series A) is issued subject to the terms set out overleaf, the terms set out in the Deed of Trust and the Prospectus.

Signed under the Company's affixed seal on _____ 2015

By:

Authorized signatory _____ Authorized signatory _____

I, the undersigned, Adv. _____, certify that this Debenture certificate has been duly signed by Urbancorp Inc. in accordance with its Articles of Association through Messrs. _____, and their signature is binding on the Company for the purposes of this Debenture.

_____, Adv.

Terms Overleaf

1. General

In this Debenture (Series A), the terms below shall have the following meaning, if no meaning is provided for them below, the meaning is that given thereto in the Deed of Trust, unless the context dictates another meaning.

"Business Day" or "Bank Business Day"	Any day on which the TASE Clearing House and most banks in Israel are open for the execution of transactions.
"Debenture Series"	Registered Debentures for a total par value of up to NIS 200,000,000 whose terms shall be in accordance with the Debenture (Series A) certificate and the Prospectus published in November 2015 and to be amended in December 2015, pursuant to which they shall be issued.
"Principal"	The par value of the outstanding Debentures (Series A).
"Special Resolution"	A resolution adopted by a General Meeting of Holders of Debentures (Series A) at which debenture holders holding at least 50% of the par value of the outstanding Debentures (Series A) are present in person or by proxy, or in an adjourned meeting at which debenture holders holding at least 20% of the balance of said par value are present in person or by proxy, by a majority which was passed (whether in the original meeting or in the adjourned meeting) with a majority of at least two thirds (2/3) of the par value of the outstanding Debentures (Series A) represented in the vote.
"The Nominee Company"	The Nominee Company of Mizrahi Tefahot Bank Registration Company Ltd. or a nominee company replacing it.
"Trading Day"	A day on which transactions are executed on the Tel Aviv Stock Exchange Ltd.
"The TASE Clearing House"	The Tel Aviv Stock Exchange Clearing House Ltd.

2. The Debentures

For details regarding the Debentures (Series A), see section 2 of the Deed of Trust

3. Terms of the Debentures (Series A) Offered under the Prospectus

(a) Registered Debentures (Series A) of NIS 1 par value each. The Debentures (Series A) shall be repayable (principal) in five (5) unequal payments on December 31, 2017, June 30, 2018, December 31, 2018, June 30, 2019 and December 31, 2019 (inclusive) such that the first payment will constitute 10% of the total nominal value of the principal of the Debentures (Series A). the second, third and fourth payments will constitute 22% of the total nominal value of the principal of the Debentures (Series A) and the fifth payment will constitute 24% of the total nominal value of the principal of the Debentures (Series A).

(b) The outstanding balance of the principal of the Debentures (Series A) shall bear fixed annual interest at a rate to be determined in an auction (but subject to adjustments in the event of a change in the rating of the Debentures (Series A)[4] and/or noncompliance with financial covenants set forth in sections 5.2 and 5.3 of the Deed of Trust).

(c) The Debentures (Series A) shall not be linked (principal and interest).

(d) The interest on the Debentures (Series A) shall be paid in two semiannual installments, from June 30, 2016 until December 31, 2019 on June 30 and December 31 of each of the years 2016 to 2019 (inclusive).

(e) The first payment of principal of the Debentures (Series A) shall be made on December 31, 2017. The first payment of interest on the Debentures (Series A) shall be made on June 30, 2016 for the period commencing on the first trading day after the subscription closing date and ending on the last day before the first interest payment date (namely, on June 29, 2016) (hereinafter: **"the First Interest Period"**), calculated according to the actual days in that period based on 365 days in a year. The interest rate payable for a

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[4] It is clarified that as long as the Debentures (Series A) are rated by more than one rating agency, the examination of the rating for the purpose of adjusting the interest rate to a change in the rating (should there be any such change) shall be done, at all times, according to the lower rating among them.

particular interest period (excluding the first interest period) (namely, the period commencing on the payment day of the previous interest period and ending on the last day before the next payment date after the commencement thereof) shall be calculated at the annual interest rate divided by two (hereinafter: "**the Semiannual Interest Rate**"). The Company shall publish in an Immediate Report regarding the results of the auction, the first interest rate, the interest rate determined in such auction and the semiannual interest rate.

(f) The payments on account of principal of the Debentures (Series A) shall be made to whoever holds debentures on December 25 of the years 2017 to 2019, and June 24, 2018 and 2019 which preceded the date of effecting of the relevant payment, excluding the final payment. The payments on account of interest on the Debentures (Series A) shall be made to whoever holds debentures on June 24 and December 25 of each of the years from 2016 until 2019, starting from June 2016 until December 2019 (inclusive), which preceded the date of repayment of the relevant payment, excluding the final payment. Notwithstanding the foregoing, the final payment of principal and interest shall be made against the delivery of the certificates of the Debentures (Series A) to the Company on the final payment date (namely, December 31, 2019) at the Company's registered office or at any other place as notified by the Company. Such notice of the Company shall be published no later than five (5) business days before the final payment date.

(g) It is hereby clarified that anyone who is not counted among the debenture holders on any of the payment dates specified in subsection (f) above shall not be entitled to payment for the period commencing before that date.

4. Principal and Interest Payments on the Debentures (Series A)

(a) Any payment on account of principal and/or interest delayed more than seven (7) days after the date set for payment thereof under the terms of the debenture, for a reason within the Company's control, shall bear arrears interest, as hereinafter defined, from the date set for payment to the date of actual payment thereof. In this regard, the rate of arrears interest shall be the rate of interest on the Debentures as provided in section **3**(b) above, as the case may be, plus 3%, all on an annual basis (hereinafter: "**Arrears Interest**"). The Company shall give notice of the arrears interest that accrued (if at all) and of such payment date in an Immediate Report, two (**2**) trading days prior to the date of actual payment.

(b) The payment to the entitled persons shall be made by check or by a bank transfer and/or through the TASE Clearing House to the credit of the bank account of the holders of Debentures (Series A). If the Company is unable, for any reason beyond its control, to pay any amount to the persons entitled thereto, the provisions of section 7 below shall apply.

(c) Any holder of a Debenture (Series A) who so wishes, may notify the Company of the details of the bank account for crediting the payments to that holder under the Debentures (Series A) as stated, or of a change in the details of said account or in his address, as the case may be, in a notice sent by registered mail to the Company. The Company shall be required to act in accordance with the holder's notice of change after the passing of **15** business days from the day on which the Company received such notice.

(d) If a debenture holder who is registered in the register of holders failed to give the Company timely notice of the details of the bank account to which payments under the debenture should be transferred to him, any such payment shall be made in a check sent by registered mail to his last address recorded in the register of holders. The sending of a check to an entitled person by registered mail as stated shall be deemed in all respects as payment of the amount specified thereon on the date of mailing thereof, subject to the check being deposited in the bank and actually cashed.

5. Deferral of Dates

If the date specified for making any payment of principal and/or interest falls on a day that is not a business day, the payment date shall be deferred to the business day immediately following that day, with no additional payment, and the "effective date" for determining entitlement to redemption and interest shall not be changed by reason thereof.

6. Securing of Debentures

See section 6 of the Deed of Trust.

7. Nonpayment for a Reason beyond the Company's Control

As to nonpayment for a reason beyond the Company's control, see the provisions of section 14 of the Deed of Trust.

8. Register of Debenture Holders

With respect to the register of holders of Debentures (Series A), see section 29 of the Deed of Trust.

9. Splitting of Debenture Certificates

(a) In respect of Debentures (Series A) registered in the name of one holder, one certificate shall be issued to the holder, or at his request, several certificates shall be issued to him in a reasonable quantity (the certificates discussed in this section are hereinafter referred to as: the "**Certificates**").

(b) Any debenture certificate may be split into several debenture certificates with a total par value equal to the nominal amount of the certificate it is proposed to split, provided such certificates are only issued in a reasonable quantity. The split shall be made against delivery of the relevant debenture certificate to the Company at its registered office for the performance of the split, together with a written request to make the split, signed by the registered holder. All the costs entailed in the split, including taxes and levies, if any, shall be borne by the party requesting the split.

10. Transfer of Debentures

The Debentures are transferrable with respect to the full amount of the nominal principal, and also a part thereof, provided it is in whole shekels. Any transfer of the Debentures shall be made by a deed of transfer drawn up in the accepted form, duly signed by the registered holder or his legal representatives and by the transferee or his legal representatives, which shall be delivered to the Company at its registered office together with the certificates of the Debentures which are being transferred on the basis thereof as well as any other reasonable proof as requested by the Company in evidence of the transferor's right to transfer them. If any tax or other mandatory payment applies to the deed of transfer of the Debentures, the Company shall be given reasonable proof of the payment thereof. The Company's articles as relating to the transfer and endorsement of fully paid-up shares shall apply, *mutatis mutandis*, as the case may be, to the transfer and endorsement of the Debentures. If only a part of the amount of the nominal principal in a debenture certificate is transferred, the debenture certificate shall first be split, as provided in section **9** below, into the number of debenture certificates necessitated thereby, such that the total of the amounts of the nominal principal in those debenture certificates is equal to the amount of the nominal principal of such debenture certificate. Following the fulfillment of all the above stated conditions, the transfer shall be recorded in the Register, and the Company may demand that a caveat regarding such transfer be recorded on the transferred debenture certificate that is to be transferred to the transferee, or that a new debenture certificate be issued to him in its stead, and the transferee shall be subject to all the conditions set forth in the

transferred debenture certificate, such that the term "holder" where it appears shall be deemed to refer to the "transferee," and the transferee shall be regarded as the "holder" for purposes of the Deed of Trust.

11. Early Redemption

As to early redemption of the Debentures at the initiative of the TASE and as to early redemption at the Company's initiative, see section 7 of the Deed of Trust.

12. Purchase of Debentures by the Company or a Related Person

As to the purchase of the Debentures, see section 3 of the Deed of Trust.

13. Waiver; Settlement; Changes to Deed of Trust

With respect to waiver, settlement and changes to the Deed of Trust see section 28 of the Deed of Trust.

14. Meetings of Debenture Holders

General meetings of the holders of Debentures (Series A) shall convene and be conducted in the manner provided in the **Second Schedule** to the Deed of Trust.

15. Receipt from Debenture Holders

As to receipts from the debenture holders, see section 15 of the Deed of Trust.

16. Immediate Repayment

As to immediate repayment of the Debentures, see section 8 of the Deed of Trust.

17. Notices

As to notices, see section 27 of the Deed of Trust.

18. Governing Law; Jurisdiction

As to the governing law and jurisdiction, see sections 33 and 34 of the Deed of Trust[5].

19. Priority

In case of a contradiction between this schedule and the Deed of Trust, the provisions of the Deed of Trust shall prevail.

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[5] For further details see footnote 4 in section 1.1 of the Prospectus.

Urbancorp Inc.

Second Schedule

Meetings of Holders of Debentures (Series A)

1. Entitlement to Convene a Meeting

1.1 The Trustee or the Company may call meetings of the debenture holders at any time. If the Company calls a meeting of the debenture holders, it must immediately send a written notice to the Trustee concerning the place, day and time at which the meeting is to be held, as well as the matters which are to be considered thereat, and the Trustee or its representative shall be entitled to participate in such meeting, without any voting rights.

1.2 The Trustee shall be required to convene a meeting of the debenture holders, as stated, at the request of one or more debenture holders holding at least 5% of the principal amount of the outstanding Debentures. If the request to call a meeting is made by debenture holders, the Trustee may demand from the requesting parties compensation for the reasonable expenses entailed therein.

1.3 It is clarified that the Trustee's demand for compensation shall not prevent the convening of a meeting that was called for the purpose of taking any action intended to prevent harm to the rights of the debenture holders, and such demand for compensation shall not derogate from the Company's obligation to bear the expenses entailed in convening the meeting.

1.4 The Trustee shall convene a meeting of holders within 21 days of the submission of a summons for the convening thereof, on a date to be determined in the invitation, provided that the meeting date shall not be earlier than seven days and not later than 21 days from the date of the summons; however, the Trustee is entitled to advance the convening of the meeting, at least one day after the date of the summons, if it deems it necessary to protect the rights of the holders; if so done, the Trustee will explain in a report on the convening of the meeting, the reasons for advancing the date of the meeting.

1.5 If the Trustee does not call a holders' meeting, pursuant to a holder's request, within 21 days from when he was so requested, the holder may convene the meeting, provided the date of convening is within 14 days from the end of the

period within which the Trustee should have called the meeting, and the Trustee shall bear the expenses incurred by the holder in connection with the convening of the meeting.

1.6 Any meeting of holders of Debentures (Series A) shall be held in Israel, at a venue of which the Company and/or the Trustee give notice, and the Company shall bear the reasonable costs of the venue.

2. Convening of a Meeting; Agenda of Meeting

2.1 An invitation to a meeting called by the Trustee solely for the purpose of consulting with the debenture holders shall be published at least one day before the date of convening thereof (hereinafter: "**consultation meeting**"). No agenda shall be published for a consultation meeting and no resolutions shall be adopted thereat.

2.2 An invitation to a holders' meeting which is not a consultation meeting shall be published in accordance with the provisions of the Securities Law as in effect from time to time, at least 7 (seven) days but not more than 21 (twenty one) days before the convening of the meeting (hereinafter: "**invitation**").

2.3 The Trustee shall set the agenda at a holders' meeting. One or more holders of Debentures (Series A), holding at least five percent of the balance of the nominal amount of Debenture (Series A), may request the Trustee to include some matter on the agenda of a holders' meeting which is to convene in the future, provided the matter is suitable, in the opinion of the Trustee, to be considered at such meeting.

2.4 The Trustee may advance the date of convening to at least one day after the date of the invitation, if it considers that postponing the meeting prejudices or could prejudice the rights of the debenture holders. If the Trustee does so, it shall explain in a report concerning the convening of the meeting the reasons for advancing its date.

2.5 The invitation shall set out:

2.5.1 The place of convening of the meeting.

2.5.2 The date and time of convening of the meeting.

2.5.3 The quorum for opening the meeting as provided in section 3 below.

2.5.4 The effective date for participating in the meeting, being not less than one day and not more than three days before the convening of the meeting.

2.5.5 The matters to be discussed at the meeting and the proposed resolutions.

2.5.6 Arrangements regarding written votes.

3. <u>Quorum for Opening a Meeting and an Adjourned Meeting</u>

3.1 A consultation meeting shall be held with any number of participants.

3.2 A meeting of debenture holders shall be opened after it has been proven that the quorum required for holding the meeting is present.

3.3 Subject to the quorum required at a meeting convened for adopting a special resolution, and subject to the provisions of the Securities Law, a quorum for holding a holders' meeting shall be at least two debenture holders holding at least 25% (twenty five percent) of the outstanding nominal value of the Debentures in circulation at the time, that are present within half an hour from the time set for opening the meeting.

3.4 If a quorum is not present at the end of half an hour from the time set for the commencement of a holders' meeting, the meeting shall be adjourned to another date being no earlier than two business days after the date set for holding the original meeting, or one business day, if the Trustee considers this necessary for protecting the rights of the debenture holders. If the meeting is adjourned, the Trustee shall explain the reasons for this in the report concerning the convening of the adjourned meeting.

3.5 Except in respect of a meeting convened to adopt a special resolution and subject to the provisions of the Securities Law, if a quorum is not present at the end of half an hour from the time set for an adjourned holders' meeting, the quorum shall be as follows:

3.5.1 If the meeting was convened by the Trustee – any number of participants.

3.5.2 If the meeting was convened at the request of holders or by holders, as provided in sections 1.2 and 1.3 above – the quorum shall be one or more debenture holders holding at least 5% (five percent) of the voting rights in the debenture series.

3.6 Debentures held by a related person (as defined in section 3.3 of the Deed) shall not be taken into account for the purpose of determining the quorum.

4. Chairman

At any holders' meeting, the Trustee or whoever is appointed by it shall act as chairman of that meeting.

5. Continuing Meeting

5.1 A meeting that was opened shall be closed by an announcement of the Trustee or of the chairman of the meeting, and it may consist of one or more sessions.

5.2 In a meeting at which a quorum is present, the chairman of the meeting and/or the Trustee may decide to hold an additional session on another date, at a place to be determined by the Trustee (hereinafter: "**continuing meeting**").

5.3 The Trustee shall be responsible for publishing a notice concerning the time and the place of convening of the continuing meeting, provided such notice is given at least 12 hours prior to the convening of the continuing meeting.

5.4 No matter may be considered at a continuing meeting other than a matter that was on the agenda of the original meeting and regarding which no resolution was adopted.

5.5 A holder who was not present at the original meeting may attend the continuing meeting and vote on matters that were put to the vote (and on which the vote was not yet closed) and which will be put to the vote, subject to his proving to the party that convened the meeting his ownership of the Debentures the subject of the meeting as of the effective date for the meeting as determined in the notice of invitation to the meeting.

6. Provisions for Extraordinary Meetings

In a meeting having on its agenda a resolution on a matter which the Deed of Trust or the debenture provides is subject to a special resolution, the quorum shall be the presence of debenture holders holding at least fifty percent (50%) of the outstanding nominal amount of the Debentures, or in an adjourned meeting, the presence of debenture holders holding at least twenty percent (20%) of the balance of the nominal amount of the Debentures. The majority required for adopting a special resolution (whether in the original meeting or in

the adjourned meeting) is two thirds (2/3) of the outstanding nominal amount of the Debentures represented in the vote.

7. **Position Statements**

7.1 The Trustee or one or more debenture holders holding at least five percent of the balance of the nominal amount of the Debentures (Series A) may apply to the debenture holders in writing, in a letter attached to the voting instrument, in order to persuade them regarding the manner of their voting on matters put forward for consideration in a meeting (in the schedule – "**position statement**").

7.2 A holder wishing to exercise this right shall notify the Trustee in that regard during the session in which it was resolved to put that matter to the vote, and shall submit the position statement to the Trustee within 24 hours from the time of that session.

7.3 At a meeting called at the request of the debenture holders or by the debenture holders, as provided in sections 1.2 and 1.3, each holder may publish, through the Trustee, a position statement regarding matters on the agenda of the meeting.

7.4 The Trustee and the Company may, each separately, publish a position statement in response to a position statement sent in accordance with sections 8.1 or 8.3 above or in response to another application to the debenture holders.

7.5 No position statement may be published in a consultation meeting.

8. **Voting in a Meeting**

8.1 Voting in a meeting of debenture holders may be held only on matters that were listed in the invitation.

8.2 A holder may vote in person, by a proxy appointed by him in accordance with this schedule or by a voting instrument.

8.3 The chairman of the meeting may determine that votes shall be conducted by way of voting instruments or by voting during the meeting. If the chairman determines that the vote shall be by way of voting instruments, the Trustee shall ensure that the text of the voting instrument is distributed to the holders and shall set the vote closing time by which the holders must send to the Trustee a duly completed and signed voting instrument. The Trustee, at its discretion, may require a holder to declare in the voting instrument the existence or absence of a conflicting interest

(as hereinafter defined). A holder who does not complete the voting instrument and/or does not prove his entitlement to participate and vote at a meeting in accordance with the provisions of the Second Schedule, shall be deemed not to have delivered a voting instrument and therefore to have chosen not to vote on the matter/s set out in the voting instrument. A duly completed and signed voting instrument in which the holder has indicated the manner of his voting, reaching the Trustee by the appointed deadline, shall be deemed as presence at the meeting for purposes of the existence of a quorum at the meeting.

8.4 Unless explicitly stated otherwise in this Deed, the majority required for passing any resolution of the general meeting is a simple majority of the number of votes represented in the vote, cast for or against. The Trustee at its discretion may also decide whether the circumstances require the approval of a resolution by a majority other than a simple majority.

8.5 The Trustee may participate in the meeting without any voting rights. The Company may not take part in the meeting. The Company may only present issues prior to the deliberation or its representative may take part insofar as there are any questions by holders to the Company.

8.6 The debenture holders may participate and vote in any general meeting in person or by proxy. Any vote by debenture holders shall be conducted by a poll, such that each debenture holder or his proxy shall be entitled to one vote for each NIS 1 par value of the total nominal principal of the outstanding Debentures based on which he is entitled to vote. In the case of joint holders, only the vote, in person or by proxy, of the holder proposing to vote who is first listed in the Register shall be accepted.

A debenture holder or his proxy may use part of his votes to vote for a particular proposed resolution, another part to vote against, and another part to abstain, all as he sees fit.

9. <u>Examination of the Existence of a "Conflicting Interest"</u>

9.1 In a count of votes, the votes of debenture holders being a related person as this term is defined in section 3.2 of the Deed of Trust shall not be taken into account, and those Debentures shall not confer on the related person a right to vote in general meetings of the debenture holders, as long as they are held by the related person.

9.2 The Trustee shall examine the existence of conflicts of interest among the holders, whether an interest arising from their holding of the Debentures or another interest of theirs, as determined by the Trustee (in this schedule – "**another interest**"). The Trustee may require a holder participating in a holders' meeting to notify it of another interest it has and whether he has such a conflict of interests.

9.3 Without derogating from the generality of the foregoing, each of the following shall be deemed to have a conflicting interest:

9.3.1 A holder who is a related person (as this term is defined in section 3.2 of the Deed of Trust);

9.3.2 A holder who served as an officer of the Company immediately prior to the event underlying the resolution in the meeting;

9.3.3 Any holder the Trustee has determined has a "conflicting interest" as provided hereinafter, subject to any law and/or directive of a competent authority, and *inter alia*: any holder declaring in writing to the Trustee that he has a material, personal interest which lies outside the interest of the body of debenture holders at the relevant meeting of the debenture holders. Any holder who fails to submit such a declaration in writing after being requested to do so by the Trustee, shall be deemed to have declared that he has such a personal interest, and the Trustee shall determine that he is a holder with a conflicting interest. Without derogating from the provisions of this section 9, the Trustee shall examine whether a holder has a "conflicting interest", also taking into account that holder's holdings in other securities of the Company and/or securities of any other corporation relevant to the resolution that is being submitted to the meeting for approval (as set out in the voting instrument), according to the declaration of that holder.

The existence of a conflicting interest shall be determined also on the basis of a general test of conflicts of interest which the Trustee shall conduct. Furthermore, for the avoidance of doubt, it is clarified that the provisions regarding the definition of Debenture Holders having a conflicting interest shall not derogate from the provisions of the law, the case law and the binding guidelines of the Securities Authority relating to the definition of debenture holders having a conflicting interest, as applying at the time of the examination.

9.4 For purposes of the conflict-of-interest examination as stated, the Trustee may rely on a legal opinion ordered by it, which shall be subject to the provisions of the Deed of Trust as to the bearing of expenses.

9.5 It is clarified that a conflict-of-interest examination as stated, insofar as it is required in the Trustee's opinion, shall be conducted separately for each resolution on the agenda of the meeting and separately for each meeting. It is further clarified that the declaration of a Holder as having a conflicting interest in any resolution or in any meeting shall not in itself prove the existence of a conflicting interest of that holder in another resolution on the agenda of the meeting or a conflicting interest in other meetings.

9.6 In counting the votes cast at a holders' meeting, the Trustee shall not take into account the votes of holders who did not comply with its request as provided in section 10.2 above, or of holders which it found have a conflict of interest as provided in that section (in this schedule – **"holders having a conflicting interest"**).

9.7 Notwithstanding that stated in section 9.6, if the total holdings of the participants in a vote who are not holders having a conflicting interest is less than five percent (5%) of the balance of the nominal value of the Debentures (Series A), the Trustee shall take into account, in the count of the votes cast, also the votes of the holders having a conflicting interest.

10. Declaration of the Adoption of a Resolution

10.1 A declaration by the chairman that a resolution in a holders' meeting was accepted or rejected, unanimously or by a certain majority, shall be *prima facie* proof thereof.

11. Notice of Appointment

11.1 A notice of appointment appointing a proxy shall be in writing under the hand of the appointor or his representative duly authorized in writing in regard. If the appointor is a corporation, the appointment shall be made in writing under the seal of the corporation, together with the signature of the corporation's official or representative authorized in that regard. The instrument appointing a proxy shall be drawn up in any accepted form. A proxy need not himself be a holder.

11.2 An instrument of appointment and a power of attorney or other certificate based on which the instrument of appointment was signed, or a certified copy of such a power of attorney, shall be deposited at the Company's office prior to the meeting in respect of which the power of attorney was granted, unless specified otherwise in the notice calling the meeting.

11.3 A vote given in accordance with the conditions in the document appointing a proxy shall be valid even if the appointor previously died or was declared incapacitated or the instrument of appointment was cancelled or the debenture in respect of which the vote was given was transferred, unless a written notice concerning the death, the decision of incapacity, the cancellation or the transfer, as the case may be, was received at the Company's registered office prior to the meeting.

11.4 Any corporation holding a Debenture may authorize any person deemed fit by it, by a duly signed authorization in writing, to act as its representative in any meeting of the debenture holders, and the person so authorized shall be entitled to act on behalf of the corporation he is representing.

12. Minutes

12.1 The Trustee shall prepare minutes of the holders' meeting and shall keep them at its registered office for a period of seven years from the date of the meeting.

12.2 Minutes signed by the chairman of the meeting shall be *prima facie* evidence of the matters recorded therein. The announcement of the chairman of the meeting that a resolution was accepted or rejected, and the entry made in that regard in the register of minutes, shall be *prima facie* proof thereof.

12.3 The register of minutes of holders' meetings shall be kept at the Trustee's office and shall be open to the inspection of the debenture holders, and a copy thereof shall be sent to each debenture holder so requesting.

12.4 The Trustee may withhold the delivery of any minutes, to any entity, if in its exclusive judgment the delivery of the minutes, wholly or partly, could prejudice or result in an injury to the rights of the holders of Debentures (Series A).

13. A person or persons appointed by the Trustee, the Company's Secretary and any other person or persons so authorized by the Trustee, may be present at meetings of the debenture holders. If in

the Trustee's reasonable judgment, the discussion in a part of the meeting should be held without the presence of the Company's representatives, then the Company's representatives or anyone acting on its behalf shall not participate in that part of the meeting.

14. This schedule is subject to the provisions of the Deed of Trust.

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Urbancorp Inc.

Third Schedule

Emergency Representation Committee of the Debenture Holders

1. With respect to the Debentures (Series A), if an Emergency Representation Committee of the holders of Debentures (Series A) is appointed, the Company undertakes that the Emergency Representation Committee shall be appointed to act in accordance with the relevant provisions of Appendix 5.2.4.4 to Chapter 4 in Part 2 (Management of Investment Properties and Provision of Credit) in Title 5 (Business Management Principles) of the Consolidated Circular,[6] and the Company also undertakes to act in cooperation with the Emergency Representation Committee and the Trustee, as necessary for the performance of the examinations required by them and the formulation of the decision of the Emergency Representation Committee, and to transfer to the Emergency Representation Committee all the data and documents required by it regarding the Company.

2. **Appointment; Term of Office**

   2.1 The Trustee may, and pursuant to the Company's written request shall, appoint and convene an emergency representation committee from among the debenture holders, as set forth hereinafter (hereinafter: "**the Emergency Representation Committee**").

   2.2 The Trustee shall appoint to the Emergency Representation Committee the three (3) debenture holders who, based on data it received from the Company or to the best of the Trustee's knowledge, hold the highest nominal amount among all the debenture holders, and who declare that they comply with all the conditions set forth below (hereinafter: "**Emergency Representation Committee members**"). If any of them is unable to serve as an Emergency Representation Committee member as stated, the Trustee shall appoint in his stead the debenture holder who holds the next highest nominal amount and who complies with all the conditions set forth below; and the following are the conditions:

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[6] http://ozar.mof.gov.il/hon/2001/law/Codex.asp

2.1.1 The debenture holder does not have a conflict of interest due to the existence of any additional material interest that conflicts with the interest arising from his service on the Emergency Representation Committee and from his holding of the Debentures. For the avoidance of doubt, it is clarified that a holder who is a related person (as defined in section 3.2 of the Deed of Trust) shall be deemed to have a conflict of interest as stated and may not serve on the Emergency Representation Committee.

2.1.2 The debenture holder is not serving in the same calendar year on similar representation committees for other Debentures with a greater combined value than the percentage of the asset portfolio managed by him, which was set as the maximum percentage permitting service on an emergency representation committee according to the directives of the Antitrust Commission relating to the establishment of an emergency representation committee.

2.3 If during the term of office of the Emergency Representation Committee, one of its members ceases to meet any of the circumstances listed in sections 2.2.1 and 2.2.2 above, his service shall terminate and the Trustee shall appoint another member in his stead from among the debenture holders as stated in section 2 above.

2.4 Prior to the appointment of the Emergency Representation Committee members, the Trustee shall receive from the candidates to serve as members a declaration regarding the existence or absence of conflicts of interest as stated in section 2.2.1 above and regarding service on additional representation committees as stated in section 2.2.2 above. The Trustee may also request such a declaration from the Emergency Representation Committee members at any time during its term of office. A holder who fails to submit such a declaration shall be deemed to have material conflicts of interest or to be precluded from serving pursuant to the above directives of the Antitrust Commissioner, as the case may be. With respect to the conflict-of-interest declaration, the Trustee shall examine the existence of conflicting interests, and if necessary shall decide whether such conflicts of interest disqualify that holder from serving on the Emergency Representation Committee. It is clarified that the Trustee shall rely on said declarations and shall

not be required to conduct an additional independent examination or investigation. The Trustee's determination in these matters shall be final.

2.5 The term of office of the Emergency Representation Committee shall end on the date on which the Company publishes the Committee's decisions regarding the grant of a grace period to the Company for compliance with the terms of the Deed of Trust as set forth in section 8 thereof, but in any event it may not exceed three months from the date of the Committee's appointment.

3. Authority

3.1 The Emergency Representation Committee shall have authority to grant the Company a one-time grace period in connection with the times of compliance with any of the financial covenants specified in the Deed of Trust, such that the grounds for immediate repayment in sections 8.1.15, 8.1.16, 8.1.17, 8.1.18 and 8.1.19 of the Deed of Trust shall not apply, as the case may be, during the grace period, if granted – the foregoing for the period up to the date of publication of the next financial statements after the date of publication of the financial statements from which it emerged that the Company did not comply with some financial covenant during two consecutive calendar quarters or for a period of 90 days, whichever is earlier. It is clarified that the period of time up to the appointment of the Emergency Representation Committee shall be counted in the above grace period, and it shall not be grounds for granting the Company any additional grace period beyond that stated above. It is clarified that the actions of the Emergency Representation Committee and the cooperation among its members shall be limited to consideration of the possibility of granting such a grace period, and no other information that does not relate to the grant of a grace period as stated shall be exchanged among the members.

3.2 If no Emergency Representation Committee was appointed as above, or if the Emergency Representation Committee decided not to grant the Company a grace period as provided in section 3.1 above, the Trustee shall be obligated to call a meeting of the debenture holders in accordance with the provisions of section 8.2 of the Deed.

4. **The Company's Undertakings with Respect to the Emergency Representation Committee**

4.1 The Company undertakes to furnish to the Trustee all the information in its possession or which it is able to obtain in connection with the identity of the debenture holders and the scope of their holdings. The Trustee as well shall act to obtain said information in accordance with the powers vested in it by law.

4.2 In addition, the Company undertakes to cooperate fully with the Emergency Representation Committee and the Trustee, as required for the performance of the necessary examinations by them and the formulation of the Committee's decision, and to furnish to the Emergency Representation Committee all the data and documents required by them in connection with the Company, subject to legal limitations. Without derogating from the generality of the foregoing, the Company shall furnish to the Emergency Representation Committee the relevant information for the formulation of its decision, which may not include any misleading particular and may not be incomplete.

4.3 The Company shall bear the costs of the Emergency Representation Committee, including the costs of engagement of consultants and experts by or on behalf of the Committee, and in this regard the provisions of section 26 of the Deed shall apply, *mutatis mutandis*.

5. **Liability**

5.1 The Emergency Representation Committee shall act and decide in the matters delegated to it according to its absolute discretion, and neither it nor any of its members, their officers, employees and consultants shall be liable, and the Company and the debenture holders hereby discharge them from all complaints, demands and claims against them, for having exercised or refrained from exercising the powers, authority or discretion granted to them under the Deed of Trust and this appendix and in connection therewith, or for any other action they performed pursuant thereto, except if they acted willfully and/or in bad faith.

5.2 The actions of the Emergency Representation Committee members and anyone acting on their behalf shall be subject to the indemnification provisions in section 26 of the Deed of Trust, as if they were the Trustee.

5.3 The Company shall publish an Immediate Report immediately upon the appointment of the Emergency Representation Committee as stated, concerning the appointment of the Committee, the identity of its members and its powers.

5.4 The Company shall publish another Immediate Report concerning the decision of the Emergency Representation Committee as stated. Upon the termination of the office of the Emergency Representation Committee, the Company shall publish all the information that was furnished to the Committee for its review, provided there is no legal impediment to its publication.

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Appendix 23

To the Deed of Trust Dated December 7, 2015

Signed between Urbancorp Inc. and Reznik Paz Nevo Trusts Ltd.

The Company shall pay the Trustee for its services in accordance with this Deed of Trust as set forth hereinafter:

1.1 For the first trustee year starting from the date of offering of the Debentures (Series A) the Trustee shall be paid an annual fee of NIS 45,000. For each additional trustee year the Trustee shall be paid an annual fee of NIS 35,000.

1.2 Whenever, subsequent to the original offering of the series, an additional offering of the same series is held, the Trustee's annual fee shall increase by an amount reflecting the full rate of increase of the series, on a regular basis until the end of the trust period.

The amounts included in sections 1.1 and 1.2 above are hereinafter referred to as the "**Annual Fee.**"

1.3 In addition, the Trustee shall be entitled to full reimbursement of its reasonable expenses, in the fulfillment of its duties and/or pursuant to the powers granted to it under this Deed.

"**Reasonable expenses**" - reasonable amounts disbursed by the Trustee in the performance of its duty and/or by virtue of the powers vested in it under the Deed of Trust, including: expenses and costs of summoning and convening a meeting of holders of Debentures and expenses for messenger services and travel and press releases in connection with the convening of a meeting and all to the extent obligated under law.

1.4 **Without derogating from the generality of the provisions of this appendix, the Trustee shall be entitled to payment of a fee of NIS 600 for each hour of work involving special actions performed by it in its capacity as Trustee (all subject to the provisions of the Deed of Trust, and *inter alia*:**

1.4.1 Actions arising from a breach of the Deed by the Company.

1.4.2 Actions in connection with the calling in of the Debentures for immediate payment and/or actions in connection with a resolution of the meeting of debenture holders to call in the Debentures for immediate payment.

1.4.3 Special actions it will be required or need to perform for the fulfillment of its duties under this Deed in connection with and for the protection of the rights of the debenture holders, including due to the Company's defaulting on its obligations under this Deed, including the convening of meetings of debenture holders as stated in this Deed and including due to participation in meetings of debenture holders.

1.4.4 Special work (including but not limited to work required due to a change in the Company's structure or work requested by the Company), or due to the need to perform additional actions for the fulfillment of its duties as a reasonable Trustee, by reason of a change in laws (including regulations enacted pursuant to Amendments 50 and 51 to the Securities Law) and/or regulations and/or other binding provisions applying to the Trustee's activities and its liability under this Deed of Trust.

1.4.5 Actions related to the registration or deletion of the registration of securities in a register maintained in accordance with any law (including outside Israel), as well as the examination, supervision, control and so forth of obligations (such as restrictions on the Company's freedom of action, encumbrance of assets, etc.) which the Company assumed or may assume or which may be assumed by anyone acting for it or on its behalf, in connection with the securing of other obligations of the Company or anyone acting on its behalf (such as the effecting of payments under the terms of the Debentures) towards the debenture holders, including as to the substance of the terms of such securities and obligations and their fulfillment.

1.5 If the Company was required to pay the Trustee its fee and/or reasonable expenses incurred by it and/or for special actions it is required to perform or which it performed as part of its duties and/or pursuant to the powers granted to it under the Deed of Trust, if and to the extent that they exist, and the Company did not do so, the Trustee shall be entitled to payment of these amounts in their entirety from the receipts accumulated by it in accordance with the provisions of sections 9 and 10 of the Deed, provided it gave the Company prior written notice of its intention to do so.

1.6 It is clarified that if, by reason of a future change in laws and/or regulations and/or other binding provisions applying to the Trustee's activity, the Trustee is required to bear

additional expenses for the fulfillment of its duties as a reasonable Trustee, the Company shall indemnify the Trustee for its reasonable expenses including its reasonable fee.

1.7 VAT, if payable, shall be added to each of the above amounts and shall be paid by the Company.

1.8 All the above amounts shall be linked to the known index on the date of signature of this Deed, but in no event shall a lower amount be paid than the amount specified in this Deed.

1.9 If any securities are provided to the debenture holders, the Company and the Trustee shall conduct discussions for updating the fee according to the number of hours the Trustee must devote to the trust in such an event.

1.10 The Trustee's fee shall be paid for the period until the end of the Trust included under this Deed, even if a receiver (or a receiver and administrator) is appointed to the Company and whether the trust under this Deed is managed or is not managed under the supervision of the court.

1.11 The above annual fee shall be paid at the beginning of each trust year.

1.12 All the amounts specified in this appendix shall have priority over the amounts due to the debenture holders.

1.13 If the office of the Trustee terminates as provided in the Deed of Trust, the Trustee shall not be entitled to payment of its fee starting from the date of appointment of the replacement Trustee. If the Trustee's office terminates in the course of the trust year, the fee paid for the months in which the Trustee did not serve as Trustee for the Debentures, starting from the appointment of the replacement Trustee shall be refunded. The provisions of this section shall not apply to the first trust year.

1.14 If a Trustee is appointed instead of the Trustee due to the termination of his office under sections 35B (a1) or 35N (d) of the Securities Law, the holders of the debenture certificates from the relevant series shall bear the amount by which the fee of the Trustee so appointed exceeds the fee paid to the Trustee in whose place it was appointed. If such difference is unreasonable, the relevant statutory provisions shall apply at the time of such replacement.

The holders shall bear such difference by way of deduction of the proportion of the difference from any payment made by the Company to the holders of Debentures from the relevant series in accordance with the terms of the Deed of Trust, and the transfer thereof directly to the Trustee.

1.15 If the Company is required by law to make a deposit as security for its bearing of the Trustee's special expenses, the Company shall act in accordance with such provisions.

1.16 In the event that the Prospectus is ultimately not published as a result of the cancellation of or deferral of the offering (or for any other reason), after the Trustee has already performed work related to the formulation of the documents connected with the trust and/or participated in discussions with the Securities Authority, the Trustee shall be paid a fee at a rate of NIS 600 per hour according to the number of hours of work it performed and discussions in which it participated (the payment under this paragraph shall not be conditional on an actual issue of Debentures or signature of a Deed of Trust).

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Chapter 3 – Company Capital and the Holders Thereof

3.1 The Company's share capital as of the date of the Prospectus

Type of shares[1]	Registered Capital	Issued and paid-up
Common shares with no par value (hereinafter – **"the Common Shares"**)	Unrestricted	100
Class Special A shares	Unrestricted	---
Class Special B shares	Unrestricted	---
Class Special C shares	Unrestricted	---
Class Special D shares	Unrestricted	---
Class Special E shares	Unrestricted	---

3.2 Changes in the Company's Capital since inception

3.2.1 Changes in the authorized capital

From the date of inception of the Company to the date of the Prospectus, there was no change in the Company's registered capital.

3.2.2 Changes in the issued shares and paid up capital

From the date of inception of the Company to the date of the Prospectus, there was no change in the Company's issued shares and paid up capital.

3.3 Holders of Company shares

3.3.1 To the best of the knowledge of the Company and its directors, on the date of publication of the Prospectus, Mr. Alan Saskin, controlling shareholder and founder of the UrbanCorp Group, who is the CEO and chairman of the board of directors of the Company (hereinafter – **"the Controlling Shareholder"**), holds 100 Common shares, which represents 100% of the Company's issued shares and paid up capital (hereinafter – **"the Company's Capital"**) and the voting rights therein, through Urbancorp Holdco Inc, a corporation wholly-owned by him (hereinafter – **"Holdco"**).

3.3.2 Urbancorp Holdco Inc, Urbancorp Management Inc., Urbancorp Toronto Management Inc., The Webster Trust, TCC/Urbancorp (Bay) Limited Partnership and

[1] Are not listed on the TASE

TCC/Urbancorp(Bay/Stadium) Limited Partnership - all entities held by Alan Saskin and his family members (hereinafter – "**the Interest Holders**") have undertaken that, prior to the listing on the TASE of the debentures (Series A), which are offerred to the public pursuant to this Prospectus and subject to the success of the public offering, they will transfer to the Company their interests (including indirect ownership through interests of entities they own) in the transferred corporations, which will indirectly hold interests in investment properties, rental properties, and geothermal assets in Toronto, Ontario, Canada, including the obligations in respect thereof (hereinafter – "**the Transferred Interests**" and "**the Transferred Corporations**", respectively), against the issue of Class A Special shares, Class B Special shares, Class C Special shares, Class D Special shares and Class E Special shares of the Company to Holdco, which will issue similar class shares to the Interest Holders, and will be fully controlled by Saskin.

It is noted that the transfer of the Transferred Interests is not conditional on any suspensive conditions and shall come into force subject to the success of the public offering.

The following table summarizes the list of Transferred Corporations:

Seq. No.	Name of Transferred Corporation	% of interests transferred to the Company	Name of project or property held by the transferred Corporation (under a chain of ownership)	% of Company's holding in the property after the transfer of the interests
1.	Urbancorp Downsview Park Development Inc.	100%	Downsview Park	51%
2.	Urbancorp Residential Inc.	100%	Curve and Westside Residential Units	100%
3.	Urbancorp Power Holdings Inc.	100%	Bridge Geothermal Curve Geothermal	100% 100%
4.	Cumberland 1 LP (GP and LP)*	100%	Kingsclub Fuzion Geothermal 1071 King 840 St. Clair King Residential Patricia Mallow Innes/Caledonia Lawrence The Bridge	50% 50% 50% 40% 100% 100% 100% 100% 100% 100%
5.	Cumberland 2 LP (GP and LP)**	100%	Edge Residential Edge on Triangle Park Edge Geothermal	100% 100% 100%

* It is noted that Cumberland 1 LP will not be transferred, rather it will be formed by the Company and receive the assets and liabilities of TCC/Urbancorp (Bay) Limited Partnership.

** It is noted that Cumberland 2 LP will not be transferred, rather it will be formed by the Company and receive the assets and liabilities of TCC/Urbancorp (Bay/Stadium) Limited Partnership.

For holding structure after the transaction see section 7.1.7.

Following the said issuance, Holdco shall hold the Company's common shares which represent 100% of the Company's voting rights, and shall hold the special class shares of the Company, that would entitle Holdco to 100% of the equity rights in the Company, as set forth below:

Shareholder's name	**Type of shares**	**The rights conferred by the shares**	**Total**
Urbancorp Holdco Inc.	Common shares	Shares conferring a right for dividends and a right to participate in general meetings such that each share has one vote.	100
Urbancorp Holdco Inc.	Class Special A shares	Shares conferring equity rights only, such that each Class A Special Share shall be eligible for profits that are indirectly earned by the Company from specific properties.	1
Urbancorp Holdco Inc.	Class Special B shares	Shares conferring equity rights only, such that each Class B Special Share shall be eligible for profits that are indirectly earned by the Company from specific properties.	1
Urbancorp Holdco Inc.	Class Special C shares	Shares conferring equity rights only, such that each Class C Special Share shall be eligible for profits that are indirectly earned by the Company from specific properties.	1
Urbancorp Holdco Inc.	Class Special D shares	Shares conferring equity rights only, such that each Class D Special Share shall be eligible for profits that are indirectly earned by the Company from specific properties.	1
Urbancorp Holdco Inc.	Class Special E shares	Shares conferring equity rights only, such that each Class E Special Share shall be eligible for profits that are indirectly earned by the Company	1

		from specific properties.	

The Company shall publish an immediate report about the results of the offering and the status of the transfer of the Transferred Interests.

3.4 The Controlling Shareholder of the Company

The Controlling Shareholder of the Company is Mr. Alan Saskin who, as aforesaid, holds inderectly 100% of the Company's common shares confering upon him 100% of the votes.

Chapter 4 – Rights Accompanying the Company's Shares[1]

Whereas the Company's certificates of indebtedness (non-convertible) are offered to the public in Israel under this Prospectus, and will be registered for trade in the Stock Exchange, in accordance with Israeli law, the provisions of Section 39A of the Securities Law, 5728-1968 (hereinafter: the "**Securities Law**") shall apply to the Company, and as a result, various provisions of the Companies Law, 5759-1999 (hereinafter: the "**Companies Law**") shall apply. The above provisions apply in addition to the provisions of the Company's incorporation documents, the Business Corporations Act (Ontario) (hereinafter: the "**Act**"), the laws of Ontario and the laws of, Canada applicable therein. It shall be noted that the laws of Ontario and Canada alone shall apply to the Company regarding distribution and bankruptcy laws, including the procedures for sale of its properties.

The following constitutes a description of certain basic provisions of the Articles of Incorporation and/or the By-Laws relating to the rights accompanying the Company's shares, Shareholder Meetings and Approvals, and is not exhaustive. The Articles of Incorporation of the Company, as well as any amendment thereto, if any, can be reviewed electronically on the "Magna" website of the Securities Authority, located at www.magna.gov.il.

4.1 The Rights Accompanying the Company's Shares

4.1.1 The classes and any maximum number of shares that the Company is authorized to issue:

The Company is authorized to issue an unlimited number of Class A Special Shares, an unlimited number of Class B Special Shares, an unlimited number of Class C Special Shares, an unlimited number of Class D Special Shares, an unlimited number of Class E Special Shares, and an unlimited number of Common Shares.

4.1.2 Allotment of shares:

Subject to any unanimous shareholder agreement, the board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Company at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully-paid as prescribed by the Act.

4.1.3 Rights, privileges, restrictions and conditions (if any) attaching to each class of shares:

Special Shares

(1) Subject to applicable laws, each Class A Special Share shall entitle the holder thereof to receive, for each financial year of the Company, a dividend equal to the "Class A Available Funds", as hereinafter defined. Any dividend may be paid in one or more

[1] The Articles of the Company or its By-Laws include those sections that are **applicable to the Company under Section 39A of the Securities Law. It shall be emphasized that there are no provisions of the Articles of Incorporation or the By-Laws of the Company which contradict mandatory law in Ontario, Canada.**

installments at the discretion of the board of directors of the Company. The holders of the Class A Special Shares shall not be entitled to any dividends other than or in excess of the dividends hereinbefore provided for.

(2) For the purposes hereof, "Class A Property" means any property transferred to the Company in consideration for the issuance of Class A Special Shares, less the value of any non-share consideration (including the assumption of debt) paid by the Company in respect of such transfer. The consideration paid by the Company for the Class A Property shall not be greater than the fair market value of the Class A Property based on generally accepted valuation principles.

(3) The Class A Available Funds shall be equal to the following amount:

(a) Any amount received by the Company in respect of the Class A Property including, without limitation, proceeds of voluntary or involuntary disposition, rental income and dividends; less

(b) Any direct costs associated with the particular receipt; and less

(c) Any direct or indirect taxes or like imposts assessed against the Company in respect of the particular receipt.

The Class A Available Funds shall be determined by the Board of Directors having regard for actual or contingent receipts and disbursements affecting (a), (b) and (c) above.

(4) In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the outstanding Class A Special Shares shall be entitled to receive all of the remaining Class A Property owned by the Company at that date. After payment to the holders of the Class A Special Shares of the property so payable to them as above provided, they shall not be entitled to share in any further distribution of the property or assets of the Company.

(5) After the disposition by the Company of all of the Class A Property and the distribution of the Class A Available Funds associated therewith, the Company shall redeem all issued Class A Special Shares for the aggregate amount of One Dollar ($1.00) (Canadian funds).

(6) Any registered holder of Class A Special Shares may, at his option, upon giving notice as hereinafter provided, require the Company at any time or times to redeem all or any part of the Class A Special Shares held by him, and the Company shall pay to such holder for each such share which the holder requires to be redeemed an amount equal to the Class A Redemption Amount.

(7) The holders of the Class A Special Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company and shall not be entitled to vote at any such meeting; the holders of the Class A Special Shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof.

The above mentioned description of the rights, privileges, restrictions and conditions attaching to Class A Special Shares shall apply, *mutatis mutandis*, to the Class B Special Shares, Class C Special Shares, Class D Special Shares and Class E Special Shares.

Common Shares

(8) Subject to the prior rights of the holders of the Class A Special Shares, Class B Special Shares, Class C Special Shares, Class D Special Shares and the Class E Special Shares, the holders of the Common Shares shall be entitled to receive and the Company shall pay dividends to them as and when declared by the board of directors of the Company out of the moneys of the Company properly applicable to the payment of dividends, in such amounts and in such form as the board of directors may from time to time determine.

(9) The holders of the Common Shares shall be entitled to receive the remaining property of the Company upon the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, after the Class A Special Shares, the Class B Special Shares, the Class C Special Shares, the Class D Special Shares and the Class E Special Shares.

(10) The holders of the Common Shares shall be entitled to receive notice of and attend any meeting of the shareholders of the Company and shall be entitled to one (1) vote in respect of each Common Share held at all meetings of the shareholders of the Company.

(11) Holders of shares of any class are not entitled to vote separately as a class or dissent upon a proposal to amend the articles of the Company to:

(i) increase or decrease any maximum number of authorized shares of such class or increase any maximum number of authorized shares of any class or series having rights or privileges equal or superior to the shares of such class;

(ii) effect an exchange, reclassification or cancellation of the shares of such class; or

(iii) create a new class or series of shares equal or superior to shares of such class.

4.2 Shareholder Meetings and Approvals[2]

4.2.1 The annual meeting of shareholders shall be held at such time in each year, and subject to Section 4.2.3, at such place as the board, the chairman of the board, the chief executive officer or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

4.2.2 The board, the chairman of the board, the chief executive officer or the president shall have the power to call a special meeting of the shareholders at any time.

4.2.3 Meetings of the shareholders shall be held at the registered office of the Company or elsewhere in the municipality in which the registered office is situate or, if the board shall so determine, at some other place in or outside Canada.

4.2.4 Notice of the time and place of each meeting of the shareholders shall be given in the manner provided in Section 10.1 of the Articles, not less than ten (10) and not more than fifty (50) days before the date of the meeting to each director, to the auditor and

2 The provisions regarding meeting of shareholders relate to shareholders of common shares, except as specifically provided in section 4.1.3(7) above.

to each shareholder who at the close of business on the record date, if any, for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of financial statements and auditors' report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A shareholder may in any manner waive notice of or otherwise consent to a meeting of shareholders.

4.2.5 For every meeting of shareholders, the Company shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares entitled to vote at the meeting held by each shareholder. If a record date for the meeting is fixed pursuant to Section 4.2.6, the shareholders listed shall be those registered at the close of business on a day not later than ten (10) days after such record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given, or where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Company or at the place where the meeting is held.

4.2.6 The board may fix in advance a record date, preceding the date of any meeting of shareholders by not more than fifty (50) days and not less than twenty-one (21) days, for the determination of the shareholders entitled to notice of the meeting, provided that notice of any such record date is given not less than seven (7) days before such record date, in the manner provided in the Act. If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of the meeting shall be the close of business on the day immediately preceding the day on which the notice is given.

4.2.7 A meeting of shareholders may be held without notice at any time and place permitted by the Act:

(a) if all of the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held; and

(b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held.

At such a meeting any business may be transacted which the Company at a meeting of shareholders may transact.

4.2.8 The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chairman of the board, chief executive officer, president, or a vice-president who is a shareholder. If no such officer is present within fifteen (15) minutes from the time fixed for holding of the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Company is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

4.2.9 The only person entitled to be present at a meeting of the shareholders shall be those

entitled to vote thereat, the directors and auditors of the Company and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

4.2.10 The holders of a majority of the shares entitled to vote at a meeting of shareholders present in person or by proxy constitutes a quorum for the transaction of business at any meeting of shareholders.

4.2.11 Subject to the provisions of the Act as to authorized representatives of any other body corporate, at any meeting of shareholders in respect of which the Corporation has prepared the list referred to in Section4.2.5, every person who is named in such list shall be entitled to vote the shares shown thereon opposite his name except, where the Company has fixed a record date in respect of such meeting pursuant to Section 4.2.6, to the extent that such person has transferred any of his shares after such record date and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns such shares, demands not later than ten (10) days before the meeting that his name be included to vote the transferred shares at the meeting, the transferee may vote such shares. In the absence of a list prepared as aforesaid in respect of a meeting of shareholders, every person shall be entitled to vote at a meeting who at the time is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

4.2.12 Every shareholder entitled to vote at a meeting of shareholders may appoint a proxy holder, or one or more alternative proxy holders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act.

4.2.13 A resolution in writing signed by all of the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a written statement or representation with respect to the subject matter of the resolution is submitted by a director or the auditors in accordance with the Act.

4.2.14 If a meeting of shareholders is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given as for an original meeting.

4.2.16 A Shareholder shall be deemed to be present at a meeting of Shareholders if he/she participates by telephone or other electronic means and all Shareholders participating in the meeting are able to hear each other.

Chapter 5 – Comparison of Laws

The below is a general and non-exhaustive list of the matters of law of Israel and the issues of the applicable laws in the province of Ontario, Canada, which does not purport to constitute an exhaustive or authoritative interpretation of the law, and does not constitute a replacement for professional counsel.

The laws of the province of Ontario applicable to the Company are the Ontario Business Corporations Act and the Ontario Securities Act (hereinafter: the "OBCA" and "OSA", respectively).

The reference in this chapter to the laws of Ontario is in accordance with the opinion of a competent attorney in Canada, held by the Company, in the original English language and translation to Hebrew.

5.1 Application of the Companies Law in Israel and in Ontario

The Company was incorporated and registered outside of Israel under the law applicable in Ontario in accordance with provisions of the OBCA, and was not incorporated under the provisions of the Companies Ordinance [New Version], 5743-1983 (hereinafter: the "**Companies Ordinance**") or the provisions of the Companies Law, 5759-1999 (hereinafter: the "**Companies Law**").

In accordance with Section 39a(a) of the Securities Law, 5728-1968[1] (hereinafter: "**Securities Law**" and "**Section 39**", respectably), the provisions of the Companies Law and the regulations under the Securities Law shall apply to a company incorporated outside of Israel and which offers shares or certificates of indebtedness to the public in Israel, all pursuant to the provisions in the Fourth Addendum of the Securities Law; however, the Securities Authority may exempt a company as stated from the provisions and regulations detailed in the said addendum, in whole or in part, if it believes that the law outside of Israel applicable to the company protects, to the extent necessary, the public interest of the investors in Israel.

Since the certificates of indebtedness (non-convertible) of the Company are offered to the public in Israel under this Prospectus, and will be registered for trade in the Stock Exchange, pursuant to the Israeli law, then the provisions of Section 39A shall apply to the Company as stated above, and, as a result thereof, various provisions of the Companies Law shall also apply thereto (including provisions regarding the appointment of external directors, an auditor and an audit committee) and the said provisions shall apply in addition to the provisions of the Articles of Incorporation and the By-Laws of the Company[2] and the laws of Ontario applicable to the Company.

The Company, controlling shareholder and officers of the Company, present and future, are irrevocably bound to and irrevocably (as applicable) undertake not to raise claims against the application, validity or manner of implementation of Section 39a as stated.

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[1] As amended within Amendment No. 50 of the Securities Law (Book of Laws 2380, 5772 (8.8.2012), pp. 678 [5722 (No.4)]. Bill – Government 628, 5772, pp. 92.

[2] **The By-Laws of the Company as approved by the Board of Directors and confirmed by the controlling Shareholder include those sections applicable to the Company under Section 39A of the Securities Law. It shall be emphasized that there are no provisions in the Articles of Incorporation or By-Laws which contradict mandatory law in Ontario.**

Additionally, the Company is subject to the Securities Law and the regulations promulgated thereunder applicable. Additionally, the Company shall be subject to the Securities Law and the regulations thereunder applicable to companies incorporated outside of Israel and whose securities are registered for trade in the Stock Exchange in Israel. The Company is subject to the law applicable in Ontario, including the OBCA and the OSA.

Further to the foregoing, it should be noted that with respect to the insolvency and distribution laws, the laws of Ontario, and the federal laws of Canada applicable therein, will apply to the Company.

Notwithstanding the above, it shall be emphasized that the Deed of Trust and its appendices, including the Debentures, are subject to the provisions of Israeli law[3]. Regarding any matter not mentioned in the Deed of Trust, and in any event of a conflict between the provisions of the law and the Deed of Trust, the parties will act in accordance with the provisions of Israeli law. The sole court which will be authorized to hear matters related to the Deed of Trust and its appendices, and the Debentures attached as an appendix, shall be the competent court of Tel-Aviv Jaffa.

The Company, controlling shareholder and officers shall not oppose a request of the Trustee and/or holders of Debentures (Series A) submitted to the court of Israel regarding the application of Israeli law with respect to settlement and arrangements and bankruptcy, if any, and shall not appeal to a court outside Israel on their own initiative to receive protection from a procedure initiated by the Trustee and/or the holders of Debentures (Series A) of the Company, and will not oppose the Israeli court's application of Israeli law with respect to settlement and arrangements and bankruptcy.

Additionally, the Company, controlling shareholder and officers irrevocably undertake not to raise claims against the local jurisdiction of the court in Israel in connection with proceedings filed by the Trustee and/or holders of Debentures (Series A) of the Company.

In addition to the above, on the date of signing the Deed of Trust, the Company undertakes to provide the Trustee, with an irrevocable written undertaking of all the controlling shareholders and all the officers serving in the Company upon the signature of the Deed of Trust and immediately after the appointment of additional officers in the Company and/or a change in the controlling shareholders of the Company, as applicable (hereinafter: "**undertaking of the controlling shareholders and the officers**") not to oppose the request of the Trustee and/or the holders of the Debentures (Series A) which shall be filed to the court in Israel regarding the application of Israeli law for matters of

[3] In this regard, see Sections 33 and 34 of the Deed of Trust between the Company and between the Trustee to the Holders of Debentures (Series A), attached as Appendix 1 to Chapter 2 above.

settlement and arrangements and bankruptcy, if any, not to appeal to a court outside Israel on their own initiative to receive protection from a procedure initiated by the Trustee and/or holders of Debentures (Series A) of the Company and not to oppose the application of Israeli law, by the court in Israel, regarding settlement and arrangements and bankruptcy, or to raise claims against the local jurisdiction of the courts in Israel in connection with proceedings filed by the Trustee and/or holders of Debentures (Series A) of the Company.

For the avoidance of doubt it should be clarified and emphasized that the undertakings of the controlling shareholder and the officers also explicitly include an irrevocable undertaking not to initiate bankruptcy proceedings under foreign law and in a non-Israeli jurisdiction.

Given the above, and subject to the undertakings of the controlling shareholder and the officers it should be clarified and emphasized that a bankruptcy procedure, which is not under Israeli law and not in Israeli courts, can only result from a claim by a foreign creditor.

The controlling shareholder in the Company irrevocably undertakes that from the end of three months following the date of the issuance and during the life-term of the Debentures (Series A), at least three directors (including external directors) shall be residents of Israel.

The undertaking of the controlling shareholders and the officers will be attached, within the immediate report regarding the appointment of the officer, or regarding a change in control of the Company, which shall be published by the Company in accordance with the provisions of the law in Israel as part of the pre-IPO reports, and at the time of the appointment of any officer and/or entry of a new controlling shareholder, all during the life-term of the Debentures (Series A).

The Company and the officers[4] thereof, present and future, irrevocably undertake and will irrevocably undertake in writing not to raise claims against the authority of the Securities Authority and/or the Administrative Enforcement Committee in Israel in connection with monetary fines and/or administrative enforcement measures imposed thereon by the Securities Authority and/or the Administrative Enforcement Committee in Israel, under Chapter H3 and/or H4 of the Securities Law, and irrevocably undertake and will irrevocably undertake in writing to uphold all of the resolutions of the Securities Authority and/or the Administrative Enforcement Committee in Israel, including, without derogating from the generality of the above, to pay any monetary fine and/or payments to injured parties from a breach imposed thereon (if any) and to take measures to remedy the breach and prevent its recurrence.

The undertakings of the officers as stated above will be attached within the immediate report regarding the appointment of the officer, which shall be published by the Company in accordance with the provisions of Israeli law as part of the pre-IPO reports,

[4] Who are not Israeli citizens

and at the time of the appointment of any officer and/or entry of a new controlling shareholder, all during the life-term of the Debentures (Series A)..

The laws of Ontario and the Company's incorporation documents do not limit or prevent the registration for trade of the securities offered under this Prospectus, which may be freely traded in the Stock Exchange without limitation, under the laws of Ontario and the Company's incorporation documents.

5.2 **Enforcement of Foreign Judgment**

Ontario has no reciprocal enforcement of legislation with respect to the judgments of courts in Israel, so to be able to enforce an Israeli court ruling in Ontario, the prosecutor will be required to file a lawsuit through a statement of claim. If a prosecutor can prove certain prerequisites, the Court of Ontario will decide, based on a peremptory and final ruling, on a claim in personam of a competent court in the jurisdiction in Israel, for a fixed amount, against the company in the event that the foreign court had legal jurisdiction with respect to the company (namely, jurisdiction proven through domicile, serving, or a a true and meaningful connection) (hereinafter: the "**Foreign Judgment**"), without renegotiating the claim. The preconditions for enforcement of the Israeli judgment are as follows: (i) the claim for the enforcement of the foreign judgment must be initiated in a court in Ontario during the entire period of any aging period applicable to the issue; (ii) the court in Ontario has the discretion to delay or refuse to hear a claim on the foreign judgment if an appeal is filed regarding the foreign judgment or if there is another firm and abiding judgment of any jurisdiction relating to the same cause of claim of the foreign judgment; (iii) the Ontario Court will provide a ruling exclusively in Canadian dollars; and (iv) a request to the Ontario Court regarding a foreign judgment can be affected by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. It is possible to raise several lines of defense in the claim to enforce the foreign judgment, including: (i) the foreign judgment was obtained fraudulently or in a manner which conflicts with the principles of natural justice; (ii) the foreign judgment is in respect of a claim under the law in Ontario will be characterized as based on foreign proceeds, expropriation, penal law or other public law; (iii) the foreign judgment is contrary to public policy, and (iv) the foreign judgment was carried out or was cancelled or is cancellable under Israeli law. The officers of the company, the controlling shareholders in the company and the company have undertaken not to raise defense claims against the application for the enforcement of the said Israeli judgment in Canada.

5.3 **The Law Applicable to the Deed of Trust**

As stated in Sections 33 and 34 of the Deed of Trust dated December 7, 2015, between the Company and Reznik Paz Nevo Trustees Ltd. as Trustee for holders of the Debentures (Series A), the law applicable to the Deed of Trust is Israeli law.

5.4 **Comparison between a number of Corporate Law Matters – provisions of the law applicable in Ontario compared to the provisions of Israeli law**

For the convenience of the reader, the following table presents a comparison of various matters under the law of the province of Ontario and the Israeli law. For additional details, see Sections 5.4.1 through 5.4.22 of this Chapter.

On August 17, 2011, the Companies Law (Amendment No. 17) (Corporate Governance in Debenture Companies), 5771-2011 (hereinafter: "**Amendment 17**") was published in the Official Gazette[5], which became fully effective on February 17, 2012.

In accordance with the provisions of Amendment 17, private companies which offer certificates of indebtedness (hereinafter: a "**Debenture Company**") are subject to the rules of corporate governance similar to those applicable to public companies, mutatis mutandis, including with respect to the appointment obligation of at least two external directors, the appointment of an audit committee, the appointment of an auditor, limitations regarding the qualifications of directors, limitations regarding the doubt appointment of chairman of the board of directors and CEO, special approvals for transactions with interested parties and controlling shareholders, and more.

On November 12, 2012, the Companies Law (Amendment No. 20), 5773-2012 (hereinafter: "**Amendment 20**") was published in the Official Gazette[6], setting forth a remuneration policy and approval method for the terms of office and employment of officers and controlling shareholders and their relatives in public companies and private debenture companies. The Amendment became effective on December 12, 2012 (hereinafter: the "**Effective Date**") and requires that such companies prepare themselves accordingly, including the establishing of a Remuneration Committee, adopting a remuneration policy and approving the conditions of office and employment for officers in accordance with the procedures set forth in Amendment No. 20.

In January 2014, as part of the indirect amendments to the Law to Promote Competition and Reduce Concentration, 2013, Amendment 22 to the Companies Law (hereinafter: "**amendment no. 22**") came into effect.[7]

[5] Book of Laws, 2315.
[6] Book of Laws, 2385.
[7] Published in the official gazette dated December 11, 2013

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?[3]
5.4.1	**Incorporation**	Existence of the Company is as of the date of incorporation stated on the certificate of incorporation.	Section 5 of the Companies Law	The Company will start to exist on the date specified in the certificate of incorporation.	No.
5.4.2	**Buyback of Shares**	The buyback of shares is permitted subject to the conditions regarding permitted distribution, and the shares owned by the Company do not grant any rights.	Sections 301-303 and 305-311 of the Companies Law	The buyback of shares is permitted unless there are reasonable grounds to believe that (1) After payment, the Company would be unable to pay its liabilities as they become due ; Or (2) after the payment, the realizable value of the Company's assets would be less than the aggregate of, (i) its liabilities, and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or before the holders of the shares to be purchased or redeemed, to the extent that the amount has not been included in its liabilities.	No.
5.4.3	**Distribution of Dividends**	The provisions applicable to permitted distributions as detailed in the Companies Law apply to the distribution of dividends.	Sections 301-307 and 310-311 of the Companies Law	Dividends will be paid according to a decision of the Board of Directors of the Company; however, the directors shall not declare and the Company shall not pay a dividend if there are reasonable grounds for believing that, (a) the Company is or, after the payment, would be unable to pay its liabilities as they	No. It should be noted that in accordance with the provisions of Article 37(a)(1) of the Securities Regulations (Periodic and Immediate Reports),

[1] The provisions detailed on this page are provisions of the Companies Law and Securities Law (and their regulations) applicable to a Debentures Company.
[2] The provisions detailed on this page are under the provisions of the OBCA.
[3] **The By-Laws of the Company includes those sections of the Companies Law which apply to the Company by virtue of Section 39a of the Securities Law. It shall be emphasized that the Articles of Incorporation and By-Laws do not contain a provisions contradicting mandatory law of the province of Ontario.**

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?
				become due; or (b) the realizable value of the Company's assets would thereby be less than the aggregate of, (i) its liabilities, and (ii) its stated capital of all classes.	5730-1970, a reporting corporation is required to provide disclosure regarding the distribution terms applicable thereon according to the law, and details regarding the test that the board of directors performed when resolving to distribute dividends in connection with the corporation's compliance with these tests, as stated in the said Article.
5.4.4	**Rights and Obligations of Shareholders**	The rights and obligations of a shareholder are, as set forth in the Companies Law, the Company's Articles of Association and under any law, inter alia, the right to vote, the right to receive information, review the corporation's documents, information regarding remuneration to directors, the right to receive the Articles of Association and the financial statements.	Sections 183-193 of the Companies Law	Shareholders are entitled to receive a copy of the Company's financial documents and review the Company's documents. Shareholders are entitled to vote on certain corporate actions, including those containing fundamental changes in the company. Subject to sections 186 and 248 of the OBCA, if the Company resolves to, (a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the Company; (b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the Company may carry on or upon the powers that the corporation may exercise;	No.

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?[3]
				(c) amalgamate with another corporation under sections 175 and 176; (d) be continued under the laws of another jurisdiction under section 181; or (e) sell, lease or exchange all or substantially all its property under subsection 184 (3), a holder of shares of any class or series entitled to vote on the resolution may dissent.	
5.4.5	**Management of the Company**	The board of directors outlines the Company's policy and supervises supervision thereof and the CEO of the Company.	Sections 92, 219, 221-222, 224a-234 of the Companies Law	Subject to any unanimous consent of the shareholders, the directors will manage or supervise the management of the Company's affairs. Subject to the Articles or By-Laws, directors are entitled to appoint among themselves a managing director or committee of directors and delegate to that same managing director or committee the powers of the directors, except for those specified in section 127(3) to the OBCA, including the declaration of dividends.	Yes, Sections 225 though 226a, 231 through 232a and 234 of the Companies Law apply to the Company (in this respect also see Sections 8.31., 8.3.2.2-8.3.2.3, 8.3.2.7-8.3.2.9 and 8.3.4 below)
5.4.6	**Chairman of the Board of Directors and CEO**	There are limitations to the office as chairman and CEO together. Notwithstanding the above, the board of directors of a Debenture Company may decide that during periods during which will not exceed three years (from the resolution date), the chairman of the board or a relative thereof may fulfill the position of CEO or use its authorities, and authorize the CEO of the Company or its relative to fulfill the position of chairman of the board or use its authorities, provided that prior approval has been granted by the audit committee.	Sections 95 and 121(d) of the Companies Law	The OBCA does not include similar provisions.	Yes.

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?
5.4.7	**External Directors**	A Debenture Company must appoint two external directors, provided that one of the external directors has accounting and financial expertise, and the other has provision qualifications, as the terms are defined in the Companies Regulations (Terms and Tests for A Director with Accounting and Financial Expertise and a Director with Professional Qualifications), 5766-2005	Sections 239 through 249a of the Companies Law	In the Board of Directors of a company that is an offering company, there will be at least three people and at least one third of the directors shall not be officers or employees of the company or any of its affiliates.	Yes (in this respect see Section 8.3.3 below). It should be noted that the controlling shareholder and officers of the Company irrevocably undertake that in the event that any of the external directors notifies the Company that a condition required by the Companies Law for its office as an external director ceases to exist, to act in accordance with the provisions of the Company's articles of association to convene an urgent assembly of shareholders or board of directors (as applicable), which shall contain, on the agenda, a resolution to dismiss the external director immediately (hereinafter: the "**Resolution**"), and to vote for the said Resolution.
5.4.8	**Auditor**	The Board of Directors of a Debenture Company shall appoint an auditor, at the recommendation of the Audit	Sections 146 through 153 of the Companies Law	A corporation that is an offering corporation is required to have an auditor, as appointed by the shareholders.	Yes.

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?[3]
		Committee.			
5.4.9	**Audit Committee**	The Board of Directors of a Debenture Company shall appoint, of its members, an Audit Committee, containing no less than three members, which all external directors shall be members of. The majority of its members will independent directors and the chairman of the Committee will be an external director.	Sections 114 through 117 of the Companies Law	An offering corporation will appoint an Audit Committee consisting of at least 3 directors, a majority of whom are not officers or employees of the Company or any of its affiliates.	Yes (in this respect see Section 8.3.8 below)
5.4.10	**Remuneration Committee**	The Board of Directors of a Debenture Company will appoint, of its members, a Remuneration Committee, containing no less than three members, which all external directors shall be members of. The remaining members shall be directors whose terms of office and employment are in accordance with the provisions set forth under Section 244 of the Companies Law. The majority of its members will independent directors and the chairman of the Committee will be an external director.	Sections 118a and 118b of the Companies Law	There is no legal obligation to appoint a Remuneration Committee	Yes (in this respect see Section 8.3.9 below)
5.4.11	**Limitations on the Appointment and Expiry of Office of a Director**	Limitations to the appointment of a director (including limitations to appointment following a conviction or following the imposition of means of enforcement by the Administrative Enforcement Committee, etc.) and circumstances determined in the law for the termination of officer and/or expiration of office, also applicable regarding a candidate to serve as director in a Debenture Company.	Sections 225 though 226a, 231 through 232a and 234 of the Companies Law	The OBCA provides limitations on the appointment of a director and circumstances concerning the expiry of the office of a director.	Yes (in this respect see Section 8.3.2 below). It should be noted that a controlling shareholder and office of a Company undertake that in the event that a director serving informs the Company that he has been convicted with a judgment of a crime as stated in Section

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?
					226(a)(1) of the Companies Law or 226(1a) of the Companies Law, or the Administrative Enforcement Committee has resolved to impose means of enforcement to the director, prohibiting the director from serving as a director of a Debenture Company, then they will act in accordance with the provisions of the Company's articles of association to convene an urgent assembly of shareholders or directors (as applicable), which shall contain, on the agenda, a resolution to dismiss the said director immediately (hereinafter: the "**Resolution**"), and to vote for the said Resolution.
5.4.12	**Limitations on the Appointment and Expiry of Office of an Officer (who is not a director)**	Limitations to the appointment of a director (including limitations of appointment following a conviction of the imposition of means of enforcement by the Administrative Enforcement	Section 251a of the Companies Law	The OBCA provides limitations on the appointment of an officer and circumstances concerning the expiry of the office of an officer.	Yes.

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?[3]
		Committee, etc.) and circumstances determined in the law for the termination of officer and/or expiration of office, also applicable regarding a candidate to serve as officer (who is not a director).			
5.4.13	**Remuneration Policy for Officers and Terms of Office and Employment of an Officer**	A company offering its securities to the public for the first time has to determine the remuneration policy for the first time by the end of nine months from the date on which the Company became a public company or a private company that is a debentures company, as applicable, and approve terms of office and employment of officers, controlling shareholders and their relatives in accordance with the proceedings determined within Amendment 20, despite the previous approval processes.	Sections 267a, 267b, 270(2) and (3), 272 and 273 of the Companies Law	There is no legal obligation to have a remuneration policy for directors and/or officers (who are not directors).	Yes.
5.4.14	**Transactions with Related Parties and Conflict of Interests**	An irregular transaction with a Debenture Company, controlling shareholder thereof or an irregular transaction of a company as stated with another person that the controlling shareholder has a personal interest in, as well as the engagement of such a company with a controlling shareholder thereof or a relative, directly or indirectly, requires the approval of the Audit Committee and then the Company's Board of Directors, including a review, inter alia, of whether the transaction includes a distribution as the term is defined in the Companies Law.	Sections 270(4a) and 275 through 282 of the Companies Law	A director or officer of the company will disclose their personal interest in any material agreements or material transactions conducted or proposed to be conducted with the Company. Excluding certain types of agreements or transactions under section 132(5) to the OBCA, a director with a personal interest is not entitled to attend a meeting of the Board of Directors during which the agreement or transaction is discussed, and will not vote on approval of the transaction.	Yes.
5.4.15	**Financial**	The Company will prepare statements in accordance with customary accounting	Sections 171(a) and 171(e) of the	An offering corporation will submit annual and interim financial statements in	No.

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?
	Statements	rules in Israel and the regulations of the Securities Law. The said financial statements are signed by the members of the Board of Directors. A Debenture Company must present the financial statements to the Committee for the Approval of Financial Statements, as defined in the Companies Regulations (Provisions and Conditions for the Approval Process of Financial Statements), 5770-2010, before the approval and discussion in the Board of Directors.	Companies Law	accordance with the OSA. Directors of an offering corporation will present these financial statements, the financial statements of the previous year (if any) and the auditor's report to the shareholders at each annual meeting.	However, it should be noted that for as long as the Company's securities, offered under this Prospectus, are held by the public, or as long as the Company's securities as traded in the Stock Exchange in Israel or registered for trade, the reporting rules regarding the financial statements shall apply thereto, under the Securities Law and regulations thereunder.
5.4.16	**Settlement and Arrangement**	The Companies Law determines that should a settlement or arrangement between the Company and its creditors or shareholders be proposed, or between it and any type thereof, then the Court, at the request of the Company, its creditors or shareholders, or the liquidator if the Company is undergoing liquidation, may order the convening of an assembly of the same creditors or shareholders, as applicable, as ordered by the court.	Section 350 of the Companies Law	The OBCA provides that a liquidator of a corporation, for the purpose of the liquidation of its business and distribution of its assets, with the approval of all the shareholders of the corporation or the inspectors, may reach a compromise or any other arrangement as the liquidator sees fit with: (i) each of the creditors, or (ii) any person claiming to be a creditor or alleging that he has a claim, present or future, certain or contingent, liquidated or not, against the corporation or for which the corporation might be held liable. In addition, Section 183 of the OBCA provides for a wide range of corporate actions to be approved by the shareholders (including share reorganizations, mergers, liquidations and any other reorganization or schemes involving the business or affairs of the	No. However, it should be noted that as stated in Sections 33 and 34 of the Deed of Trust dated December 7, 2015, between the Company and Reznik Paz Nevo Trustees Ltd. as a trustee for the holders of Debentures (Series A), the law applicable to the Deed of Trust is Israeli law.

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?[3]
				corporation or of any or all of the holders of its securities or of any options or rights to acquire any of its securities that is, at law, an arrangement). Upon being approved by the shareholders, the terms of the arrangement may be submitted to the court for approval. Reorganization and liquidation proceedings can also be carried out using the provisions of the Bankruptcy and Insolvency Act (Canada) ("BIA") and the Companies' Creditors Arrangement Act (Canada) ("CCAA"). The BIA is the principal legislation in Canada applicable to bankruptcies and insolvencies, governing voluntary and involuntary bankruptcy liquidations as well as debtor reorganizations. The liquidation provisions under the BIA provide for the appointment of a trustee in bankruptcy over the assets of the insolvent debtor. The trustee's principal mandate is to liquidate the property of the estate and distribute the proceeds to creditors of the estate in accordance with the BIA. The CCAA permits the reorganization of insolvent companies with debts, including debtors' affiliates, over $5,000,000 and compromise of creditors' claims through a plan of arrangement. The essential difference between a restructuring under the CCAA and the BIA is that the rules and deadlines for BIA proposals are more rigid and the courts have less discretion than under the CCAA.	
5.4.17	**Acquisition of Control of the Company and**	The Companies Law enables a person who offers to purchase shares or a class of shares of a private company, to	Section 341 of the Companies Law	Under the OBCA, if within 120 days after the date of a "take-over bid" or an "issuer bid", the bid is accepted by the holders of	No.

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?
	Forced Sale	purchase the shares of opposing shareholders in a private company, provided that certain conditions are met and in accordance with the procedures set forth.		not less than 90% of the securities of any class of securities to which the bid relates, other than securities held at the date of the bid by or on behalf of the offeror, or an affiliate or associate of the offeror, the offeror is entitled, upon complying with the statute, to acquire the securities held by dissenting offerees.	
5.4.18	**Exemption, Indemnification and Insurance**	A Company is not permitted to exempt officers of liability due to a breach of duties of trust towards it. A company may exempt an officer from a breach of a duty of care towards it (except in connection with an illegal distribution), all in accordance wit the provisions of the Companies Law. A company may insure the liability of officers or indemnify them in accordance with the provisions of the Companies Law.	Sections 258-261 of the Companies Law.	A company is entitled to indemnify current and former directors and officers (and those serving as directors or officers of another entity at the request of the company) in respect of liabilities incurred in certain situations, and the OBCA permits it to purchase the said insurance for such directors and officers. However, no provision in the OBCA permits the company to exempt its directors or its officers from their obligations arising from a breach of the duty of care owed to the company.	No. However, it shall be noted that the Company's articles of association includes a provision in accordance with Section 56h(b) of the Securities Law, permitting the indemnification or insurance of a person due to a payment to an injured party from a breach as stated in Section 52(54)(a)(1)(a) of the Securities Law or due to expenses incurred in connection with a proceeding conducted in the matter, included reasonable adjudication expenses, including attorney's fees, including by way of prior indemnification (in this respects see Section

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?[3]
					8.3.11 below), to the maximum extent permitted by the OBCA and the applicable law.
5.4.19	**Duty of Trust and Care**	An officer has a duty of trust and duty of care towards the Company, as set forth in the Companies Law.	Sections 252 through 256 of the Companies Law	Directors and officers have a fiduciary duty to the company. During the exercise of their powers and the performance of their duties for the company, the directors or officers must: (a) act honestly and in good faith, taking into account the best interests of the company; and (b) exercise the care, diligence and skill that a reasonable and prudent person would exercise in comparable circumstances	Yes.
5.4.20	**Class Action and Derivative Action**	The Israeli law grants the possibility of submitting a class action with a claim arising from a connection to a security of the types listed by law. Additionally, Israeli law permits the submission of a derivative action in the name of a company.	Sections 194 through 218 of the Companies Law.	Shareholders may make a claim under an oppression remedy or through a derivative action. Shareholders may also sue as a class pursuant to the Class Proceedings Act (Ontario) in certain situations.	Yes, it should be noted that the Company irrevocably undertakes not to raise claims against the local jurisdiction of the court in Israel in connection with proceedings filed by the Trustee and/or holders of the Company's Debentures. In addition to the above, the Company's officers, present or future, irrevocably undertake in writing not to raise claims against the local jurisdiction of the

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?[3]
					courts in Israel in connection with proceedings filed by the Trustee and/or holders of the Company's Debentures and that they shall irrevocably undertake not to initiate insolvency proceedings under foreign law.
5.4.21	**Grounds for Liquidation of the Company**	The grounds for liquidation as detailed in the Companies Ordinance.	Section 257 of the Companies Ordinance.	Shareholders of the company may, by means of a special resolution, demand that the company be liquidated voluntarily. The company may also be liquidated through an order of the Ontario courts under certain conditions set forth in the OBCA.	No.
5.4.22	**Priority**	The order of priority in the return of debts in a liquidation is as detailed below (subject to the dates and ceilings set forth by law): (1) receiver expenses; (2) tax debts with a statutory pledge; (3) debts secured with a fixed pledge; (4) salaries for Company employees and loans for the payment of salaries; (5) income tax for employees withheld and which have not yet been paid; (6) taxes and obligatory payments (including municipal taxes, taxes to the treasury and governmental fees to the registrar) and lease fees that the company owes for its assets; (7) debts secured with a floating charge which was formulated upon the liquidation; (8) debts to general creditors; (9) shareholders of the	Section 354 of the Companies Ordinance	Upon a winding up, (a) the liquidator shall apply the property of the corporation in satisfaction of all its debts, obligations and liabilities and, subject thereto, shall distribute the property rateably among the shareholders according to their rights and interests in the corporation; (b) in distributing the property of the corporation, debts to employees of the corporation for services performed for it due at the commencement of the winding up or within one month before, not exceeding three months' wages and vacation pay accrued for not more than twelve months, shall be paid in priority to the claims of the ordinary creditors, and such persons are entitled to rank as ordinary creditors for the	No.

Section of the Prospectus	Topic	Israeli Law[1] (Relating to the Company as a Reporting Company)	Relevant Sections of the Israeli Law	The Canadian Law[2]	Does the Companies Law Apply to the Company?
		Company.		residue of their claims. The costs, charges and expenses of a winding up, including the remuneration of the liquidator, are payable out of the property of the corporation in priority to all other claims. Notwithstanding the foregoing, the law as it relates to "priorities" in the event of a liquidation of the corporation (whether voluntary or involuntary) involves numerous and often conflicting statutes and common law principles.	

5.4.1 **Incorporation**

A. Israeli Law:

The existence of a Company is as of the date of incorporation stated on the certificate of incorporation. Thus, a certificate signed by the Companies Registrar indicating the registration of the company constitutes conclusive evidence that the requirements of the Companies Law for the purpose of registration have been met regarding registration and regarding all matters that the registration constitutes a condition for. A public company under the Companies Law is one whose shares are registered for trade on the Stock Exchange or which are offered to the public under a prospectus or offered to the public outside of Israel under the offering document to the public required pursuant to the foreign law and held by the public.

The registered capital of a company whose shares are first registered for trade in the Stock Exchange will include one class of shares which grant holders thereof equal rights with respect to their par value, to vote in general assemblies of the Company, in accordance with the provisions of Section 46b(a) of the Securities Law.

A Debentures Company under the Companies Law is a company whose debentures are registered for trade in the Stock Exchange and which are offered to the public under a prospectus, as defined in the Securities Law, or which are offered to the public outside of Israel with an offering document to the public required under the foreign law, and which are held by the public.

B. The Law of Ontario Province:

One or more individuals may incorporate a company by signing the Articles of Incorporation and complying with the filing requirements of the OBCA. Certain individuals are not permitted to incorporate a company, namely (a) a person under 18 years of age; (b) a person who is deemed incapacitated by certain laws; and (c) a person who has the status of a bankrupt. . A company starts to exist on the date specified in the certificate of incorporation.

5.4.2 **Buyback of Shares**

A. Israeli Law

The buyback of shares of a company registered in Israel is subject to the Second Chapter of the Seventh Part of the Companies Law. Should a company purchase its own shares, the shares shall not grant rights for as long as they are owned by the company.

B. The Law of the province of Ontario:

The buyback of shares is permitted unless there are reasonable grounds to believe that (1) after payment, the Company would be unable to pay its liabilities as they become due; or (2) after the payment, the realizable value of the corporation's assets would be less than the aggregate of,

(i) its liabilities, and

(ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or before

the holders of the shares to be purchased or redeemed, to the extent that the amount has not been included in its liabilities.

5.4.3 **Distribution of Dividends**

A. Israeli Law:

A resolution by the company to distribute dividends will be passed in the company's board of directors; however, the company may set forth, in its articles of association, that a resolution will be passed in one of the manners set forth by the Companies Law. Under the provisions of the Companies Law, a company may perform a distribution (as defined in the Companies Law) of its profits (hereinafter: the "**Profits Test**"), provided that there is no reasonable concern that the distribution will cause the company to be unable to meet its existing and expected debts, upon their repayment date. The court may, at the company's request, permit it to perform a distribution which does not meet the Profits Test, provided that it is convinced that there is no reasonable concern that the distribution will cause the company to be unable to meet its existing and expected debts, upon their repayment date. Should the company perform a forbidden distribution, then the shareholders shall be required to return the sums received to the company, unless they were unaware or were not able to be aware that the distribution performed was forbidden.

In accordance with the provisions of Article 37(a)(1) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, a reporting corporation is required to provide disclosure regarding the distribution tests applicable thereto under the law, as well as details regarding the test conducted by the board of directors when resolving to distribute, in connection with the company's compliance with these tests, as stated in the said regulation, mutatis mutandis.

B. The Law of the province of Ontario:

Subject to the Articles of Incorporation and any unanimous shareholders' agreement, the directors may declare and a corporation may pay a dividend by issuing shares of the corporation or options or rights to acquire shares of the corporation or, subject to the statute, a corporation may pay a dividend in money or property.

Dividends will be paid according to a decision of the Board of Directors of the corporation; however, the directors shall not declare and the corporation shall not pay a dividend if there are reasonable grounds for believing that,

(a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of (i) its liabilities, and (ii) its stated capital of all classes.

5.4.4 **Rights and Obligations of Shareholders**

A. Israeli Law:

The rights and obligations of a shareholder are as set forth in the Companies Law, the articles of association of the company and under any law, and, inter alia, include the right to vote, the right to receive information, the right to review corporate documents, information regarding remuneration to directors, and right to receive a copy of the articles of association and financial statements. A shareholder will act towards the company and towards other shareholders in good faith and in a customary manner. The controlling shareholder of the company is required to act fairly towards the company, and a breach of such duty shall be considered to be a breach of a duty of trust by an officer, mutatis mutandis.

B. The Law of the province of Ontario:

As a rule, shareholders will be entitled to vote on certain corporate actions, including those that validate significant changes in the company (such as amendments to the Articles of Incorporation, merger and dissolution).

Shareholders of a non-offering corporation are entitled to receive copies of financial documents of the company not less than 10 days before each annual meeting of shareholders, including financial statements, the report of the auditor (if any) and any additional information concerning the company's financial situation and operating results required by the Articles of Incorporation, the by-laws and any unanimous agreement of the shareholders.

In addition, the shareholders and their authorized representatives (and in the case of an offering corporation, any other person upon payment of a reasonable fee) are permitted to examine the company records listed below, during the hours of operation of the corporation: Articles of Incorporation and By-Laws and any amendments thereto, a copy of any unanimous agreement of shareholders, minutes of meetings of shareholders and resolutions of the shareholders, the register of directors in the Company and the register of the securities of the Company.

In addition to the above-mentioned rights, the shareholders will be entitled to object to certain corporate actions, including certain amendments to the Articles of Incorporation, the continuation of the company outside the jurisdiction, statutory amalgamations and the company's sale of all or substantially all of its assets. Subject to compliance with all requirements of the OBCA with respect to the right of the shareholders to oppose, the shareholders are entitled to receive the fair value of their shares on the last business day before the day on which the decisions they opposed were taken.

5.4.5 **Management of the Company**

A. Israeli Law:

The Companies Law determines that the board of directors will outline the company's policy and supervise the performance of the CEO and its operations. The Companies Law provides a list of authorities granted to the board of directors. The Companies Law sets forth provisions regarding the number of directors in a company, as well as conditions to the limitation of appointment and expiry of office of directors. Inter alia, the Companies Law sets forth that no director will be appointed in a public company if indicted with a judgment in a first instance, in one of the crimes listed in the Companies

Law, which relates, inter alia, to the use of inside information, the breach of various provisions regarding the publication of a prospectus and fraud in connection with securities.

B. The Law of the province of Ontario:

Subject to any unanimous shareholders' agreement, the directors will manage or supervise the management of the company's business and affairs. The directors shall be entitled to appoint among themselves a managing director who is a resident of Canada or a committee of directors and delegate to that said managing director or committee which of the said powers are granted to directors, other than those specified in section 127 (3) to the OBCA, including the power to: (a) to bring before the shareholders any question or matter requiring the approval of the shareholders; (b) fill any vacancy among the directors or in the office of the auditor or appoint or dismiss senior officers, whatever their title may be, the Chief Financial Officer, however designated, or the Chair or President of the company; (c) Subject to section 184 to OBCA, to issue securities except in the manner and under conditions approved by the directors; (d) declare dividends; (e) purchase, redeem and acquire in any other manner, shares issued by the Company; (f) pay a commission as stated in section 37 of the OBCA; (g) approve a management information circular referred to in Part VIII of the OBCA; (h) approve a take-over bid circular, directors' circular or issuer bid circular referred to in Part XX of the OSA; (i) approve any financial statements referred to in Article 154(1)(b) of the OBCA and Part XVIII of the OSA; (j) approve an amalgamation under section 177 of the OBCA or an amendment to the Articles of Incorporation under subsection 168(2) or (4) of the OBCA; or (k) adopt, amend or revoke by- laws.

At least 25% of the directors of the company will be residents of Canada (as defined in the OBCA); however, in the event that the company has fewer than four directors, at least one director is to be Canadian. An individual will be unsuitable to serve as a director of a company if: (a) less than 18 years of age; (b) found to be incapable by a court in Canada or elsewhere or is incapable of managing property under The Substitute Decisions Act, 1992 (Ontario) or under the Mental Health Act (Ontario); or (c) has the status of a bankrupt.

Shareholders of the Company will elect the directors at the first shareholders' meeting and at each subsequent annual meeting in which it is required to appoint directors, for a term that will expire at the latest at the end of the third annual meeting of shareholders following the appointment of the directors. The tenure of a director who was appointed for an indefinite period ends at the end of the annual shareholders' meeting following the initial appointment. In some cases, the Board of Directors is entitled to select a director to fill a position on the Board of Directors. A director appointed or elected to fill a vacancy, shall hold that office until the end of the term of office of his predecessor.

5.4.6 **Chairman of the Board and the CEO**

A. Israeli Law:

The Companies Law provides limitations to the appointment as chairman and CEO together. Notwithstanding the above, the board of directors of a Debentures Company may decide that during period which shall not exceed

three years each from the date of the resolution, the chairman of the board, or a relative thereof, can be authorized to fulfill the position of CEO and use the authorities thereof, as well as to authorize the CEO of the company or a relative thereof to fulfill the position of chairman of the board or to utilize the authorities thereof, provided that the audit committee has provided approval.

B. The Law in the province of Ontario:

The OBCA does not include similar provisions.

5.4.7 **External Directors**

A. The Israeli Law:

The Companies Law, after Amendment 17, determines that two external directors shall be appointed in a Debentures Company, at least one of which is a director with accounting and financial expertise, and the other has professional qualifications, as the term is defined in the Companies Law.

In accordance with the provisions of Section 245(a) of the Companies Law, an external director will be appointed for a period of three years, while the company may renew the appointment thereof for two additional periods of three years each (unless the company sets forth, in its articles of association, that the total term of office of an external director will not exceed six years).

Section 245(b) of the Companies Law determines that in accordance with the provisions of Section 245(b) of the Companies Law, an external director will not be terminated, and his office will not expire, except in accordance with the provisions of Sections 233, 246 and 247.

B. The Law of the province of Ontario:

The Board of Directors of a company that is an offering corporation shall consist of at least three members. At least one-third of the directors of an offering corporation must not be officers or employees of the company or companies affiliated thereto. Under the provisions of the OBCA, shareholders of the company are entitled, through a decision taken by a majority of the shareholders, remove any director from office.

The Company included in its By-Laws a provision requiring the appointment of at least two external directors.

The controlling shareholder and officers of the Company irrevocably undertake that in the event that any of the external directors announce to the company that a condition required for his/her service as an external director no longer exists, then they will act in accordance with the provisions of the Company's Articles of Incorporation to convene an urgent meeting of shareholders or meeting of the board of directors (as applicable), which shall contains, on the agenda, the resolution to dismiss the said external director immediately and that they will vote for the said resolution.

5.4.8 **Internal auditor**

A. Israeli Law:

After Amendment 17 of the law, the Companies Law sets forth that the Board of Directors of a Debentures Company will appoint an internal auditor, at the recommendation of the company's audit committee.

B. The Law of the province of Ontario:

A company that is an offering corporation is required to have an auditor. The auditor of the corporation is appointed by the shareholders at an annual general meeting of the shareholders. In order for an individual to be eligible to serve as an auditor, the individual needs to be independent of the corporation, the affiliates thereto or the directors or officers of the corporation or the affiliates thereto.

5.4.9 **Audit Committee**

A. The Israeli Law:

After Amendment 17 of the Law, the Companies Law sets forth that the board of directors of a Debentures Company will appoint, of its members, an audit committee, containing no less than three members, which all external directors shall be members of. The majority of its members will independent directors and the chairman of the Committee will be an external director. The audit committee will not include, as members, the controlling shareholder or relatives thereof, the chairman of the board of directors or any director employed by the company, by a controlling shareholder thereof or by a corporation controlled as stated by the controlling shareholder or which provides services, on a permanent basis, to any of them, and a director whose main income is received from the controlling shareholder. The functions of the audit committee include, inter alia, recognizing failures in the business management of the company, inter alia while consulting with the auditor of the company or with the accountant, and suggesting manners to remedy the deficiencies to the board of directors, to decide on the basis of reasons to be detailed, regarding actions and transactions requiring the approval of the audit committee as set forth in the Companies Law, to review the work plan of the auditor before its submission for the approval of the board of directors (if approved by the board of directors), and to propose changes thereto, to review the company's internal audit system and the functioning of the auditor, to review the scope of the accountant's work and the fees thereto, and to determine arrangements regarding the manner of handling complaints of the Company's employees in connection with the deficiencies in managing its business and regarding the defense given to employees who have complained as stated.

B. The Law of the province of Ontario:

An offering corporation must have an Audit Committee consisting of at least three directors of the company. A majority of the members of the Audit Committee must not be officers or employees of the company or companies affiliated thereto. The Audit Committee reviews the financial statements and reports to the Board of Directors prior to financial statements being approved thereby.

5.4.10 **Remuneration Committee**

A. Israeli Law:

After Amendment 20 of the Law, the Companies Law sets forth that the board of directors of a debentures company will appoint a remuneration committee of its members, containing no less than three members, and which all of the external directors will be members of, and all other members will be directors whose terms of office and employment are in accordance with the provisions determined under Section 244 of the Companies Law. The majority of its members will be external

directors and the chairman of the committee shall be an external director. The following shall not be members of the remuneration committee: the controlling shareholder and his relatives, the chairman of the board and any director employed by the company, by a controlling shareholder or by a company controlled the controlling shareholder as stated or which provides services on a permanent basis to the company, as well as a director whose main income is provided by the controlling shareholder. The functions of the remuneration committee are, inter alia, to recommend a remuneration policy to officers, to recommend the update of the remuneration policy, from time to time, to the board of directors and to review the implementation, to decide whether to approve transactions regarding the terms of office and employment of officers, controlling shareholders and their relatives which require approval and to exempt a transaction from approval of a general assembly of the shareholders.

B. The Law of the province of Ontario:

There is no legal obligation to appoint a remuneration committee.

5.4.11 **Limitations on Appointment and Expiry of Office of a Director**

A. The Israeli Law:

The Companies Law determines limitations to the appointment of a director by virtue of Sections 224a through 227 of the Companies Law, including, inter alia, the prohibition of appointing a minor, legally incompetent person, or person declared as bankrupt as a director, as well as limitations to appointment following a conviction or the imposition of means of enforcement by the Administrative Enforcement Committee, etc.

Additionally, the Companies Law sets forth circumstances for the termination or expiration of the office of a director under Sections 227a though 233 of the Companies Law, including, inter alia, following appointment in contrast to the provisions of the Companies Law, a breach of its provisions, a conviction or following the imposition of means of enforcement by the Administrative Enforcement Committee, etc.

The Companies Law sets forth that a breach of the disclosure requirement under the sections detailed above shall be considered a breach of a duty of trust towards the Company.

B. The Law of the province of Ontario:

Section 119(4) of the OBCA provides that subject to Section 120(a), shareholders of a corporation shall elect, at the first meeting of shareholders and at each succeeding annual meeting at which an election of directors is required, directors to hold office for a term expiring not later than the close of the third annual meeting of shareholders following the election.

Section 121(1) of the OBCA provides that a director of a corporation ceases to hold office when he or she:

(a) dies or, subject to subsection 119(2), resigns;

(b) is removed in accordance with section 122; or

(c) becomes disqualified under subsection 118(1).

5.4.12 **Limitations to Appointment and Expiration of Office of an Officer (who is not a director)**

A. The Israeli Law:

Following Section 17, limitations to the appointment of a director by virtue of Sections 225 through 226a of the Companies Law (including limitations of appointment following a conviction or following a resolution of the Administrative Enforcement Committee, etc.), are circumstances for the termination of expiration of a director's office by virtue of Sections 231 through 232a and 233(2) of the Companies Law (including following a conviction or following the imposition of means of enforcement by the Administrative Enforcement Committee, etc.) as well as a determination that a breach of the disclosure requirements under the sections detailed above will be considered a breach of trust to the company, also apply regarding a candidate to serve as an officer (who is not a director) and officers (who are not directors), as applicable.

B. The Laws of the province of Ontario:

Section 133 of the OBCA provides that subject to the articles, the by-laws or any unanimous shareholder agreement:

(a) the directors may designate the offices of the corporation, appoint officers, specify their duties and delegate to them powers to manage the business and affairs of the corporation, except, subject to section 184, powers to do anything referred to in subsection 127(3);

(b) a director may be appointed to any office of the corporation; and

(c) two or more offices of the corporation may be held by the same person

5.4.13 **Remuneration Policy for Officers and Terms of Office and Employment of Officers**

A. Israeli Law:

After Amendment 20 of the Law, public companies and Debenture Companies must adopt a remuneration policy within 9 months of the commencement date (meaning, as of December 12, 2012) and to approve terms of office and employment of officers, controlling shareholders and their relatives in accordance with the proceedings determined within Amendment 20, despite the previously existing approval procedures. It should be noted that in accordance with the provisions of Article 1 (a) of the Companies Regulations (Easement Regarding the Obligation to Establish a Remuneration Policy), 2013[11], a company that offers its securities to the public for the first time may establish a Remuneration Policy for the first time up to the end of nine months following the date on which it became a public company or a private company that is a debenture company, as applicable. Until the determination of the Remuneration Policy, dealings regarding the employment conditions of the officer of the company stated in that regulation shall be approved in accordance with the manner in which transactions that are not in accordance with the Remuneration Policy are approved.

B. The Law of the province of Ontario:

[11] Published in Regulations File No. 7216 dated January 28, 2013

The board of directors of the company may determine the remuneration for directors for services provided to the company during any period. There is no legal obligation to have a remuneration policy for directors and/or officers (who are not directors).

5.4.14 **Transactions with Related Parties and Conflicts of Interest**

A. Israeli Law:

After the amendment to the Law, the provisions of the Israeli Companies Law set forth methods of approving transactions with controlling shareholders in Debenture Companies, in accordance with the Companies Law.

B. The Law of the province of Ontario:

A director or officer of the company will disclose his/her interest in any material agreement or material transaction that have taken place or will take place with the company, if he/she: (a) Is a party to a material agreement or material transaction or a material agreement or material transaction that will take place in the company; or (b) Is a director or officer of, or has a material interest in, any person who is a party to a material agreement or transaction or material agreement or transaction that will take place with the company. A director with an interest is not entitled to attend any part of a meeting of directors where the agreement or transaction is discussed and shall not vote on the approval of the transaction, unless the agreement or transaction: (a) deals mainly with his remuneration as a director of the Company; (b) deals with insurance or indemnification under Section136 of the OBCA or (c) is with an affiliated company.

5.4.15 **Financial Statements**

A. Israeli Law:

For as long as the Company's securities, offered under this Prospectus, are held by the public, or as long as the Company's securities as traded in the Stock Exchange in Israel or registered for trade, the reporting rules regarding the financial statements shall apply thereto, under the Securities Law and regulations thereunder. A Debenture Company must present the financial statements to the Committee for the Approval of Financial Statements, as defined in the Companies Regulations (Provisions and Conditions for the Approval Process of Financial Statements), 5770-2010, before the approval and discussion in the Board of Directors.

B. The Law of the province of Ontario:

An offering corporation must file annual and interim financial statements in accordance with the OSA. The directors of an offering corporation must place these financial statements, the financial statements of the previous year (if any) and the Auditor's report before the shareholders at each annual meeting. The corporation is to send these documents to all shareholders who informed the company of their desire to obtain a copy of these documents not less than 21 days prior to each annual meeting.

If the Company becomes a reporting issuer in Ontario, it will be subject to additional requirements in accordance with applicable securities laws in Ontario regarding the preparation and delivery of financial statements.

Despite the differences between the provisions of Israeli law and the provisions of the OBCA regarding the financial statements, as long as the Company's securities offered in accordance with the prospectus are held by the public, or as long as the Company's securities are traded on the stock exchange in Israel or listed for trading there, it will be subject to the reporting rules in connection with financial statements, in accordance with Securities Laws and the regulations prescribed thereunder. The Company will prepare the statements in accordance with generally accepted accounting principles applicable to reporting corporations in Israel, and in accordance with regulations promulgated pursuant to the Securities Laws.

5.4.16 **Authority for Settlement and Arrangement**

A. Israeli Law:

The Companies Law determines that should a settlement or arrangement between the Company and its creditors or shareholders be proposed, or between it and any type thereof, then the Court, at the request of the Company, its creditors or shareholders, or the liquidator if the Company is undergoing liquidation, may order the convening of an assembly of the same creditors or shareholders, as applicable, as ordered by the court. Should a request be filed to the court to approve a settlement or arrangement as stated above, and the court believes that the settlement or arrangement was offered for a plan to change the company's structure or to merge companies, and according to the plan, the assets must be transferred from one company (hereinafter: the "**Transferring Company**") to another company (hereinafter: the "**Transferee Company**"), then the court may, with an order approving the request or an order provided thereafter, to order as follows: (1) to transfer the enterprise, assets or debts, in whole or in part, of the Transferring Company to the Transferee Company; (2) to allocate shares, debentures, policies or other similar benefits of the Transferring Company, which is required to allocate them to a person under the arrangement or settlement; (3) the continuation of pending legal proceedings on behalf of the Transferee Company or against it and the Transferring Company or against it; (4) the dissolution of the Transferring Company without liquidation; (5) the remedy to persons who oppose the settlement or arrangement within the time and manner ordered by the court; (6) any matter required to ensure that the change in structure or merger will be performed fully and effectively.

B. The Law of the province of Ontario:

The OBCA provides that a liquidator of a corporation, for the purpose of the liquidation of its business and distribution of its assets, with the approval of all the shareholders of the corporation or the inspectors, may reach a compromise or any other arrangement as the liquidator sees fit with: (i) each of the creditors, or (ii) any person claiming to be a creditor or alleging that he has a claim, present or future, certain or contingent, liquidated or not, against the corporation or for which the corporation might be held liable. In addition, Section 183 of the OBCA provides for a wide range of corporate actions to be approved by the shareholders (including share reorganizations, mergers, liquidations and any other reorganization or schemes involving the business or affairs of the corporation or of any or all of the holders of its securities or of any options or rights to acquire any of its securities that is, at law, an arrangement). Upon being approved by the shareholders, the terms of the arrangement may be submitted to the court for

approval. Reorganization and liquidation proceedings can also be carried out using the provisions of the Bankruptcy and Insolvency Act (Canada) ("BIA") and the Companies' Creditors Arrangement Act (Canada)) ("CCAA"). The BIA is the principal legislation in Canada applicable to bankruptcies and insolvencies, governing voluntary and involuntary bankruptcy liquidations as well as debtor reorganizations. The liquidation provisions under the BIA provide for the appointment of a trustee in bankruptcy over the assets of the insolvent debtor. The trustee's principal mandate is to liquidate the property of the estate and distribute the proceeds to creditors of the estate in accordance with the BIA. The CCAA permits the reorganization of insolvent companies with debts, including debtors' affiliates, over $5,000,000 and compromise of creditors' claims through a plan of arrangement. The essential difference between a restructuring under the CCAA and the BIA is that the rules and deadlines for BIA proposals are more rigid and the courts have less discretion than under the CCAA.

5.4.17 **Acquisition of Control in a Company and Forced Sale**

A. Israeli Law:

The Companies Law sets forth that a public company will not perform an acquisition (as the term is defined in the Companies Law) which results in a person becoming a holder of a controlling block (as defined in the Companies Law), if there is no holder of a controlling block in the company, and no acquisition will be performed if it results in the rate of holdings of the purchaser exceeding 45% of the company's voting rights, other than by way of a special purchase proposal being submitted under the provisions of the Companies Law. Since the Company is a reporting company, the above limitations do not apply thereto.

The Companies Law enables a person who offers to purchase shares or a class of shares of a private company (hereinafter: the "**Offeror**"), and shareholders holding 80% of the shares available for transfer have agreed to transfer, to purchase the shares of opposing shareholders in a private company, provided that certain conditions are met and in accordance with the procedures set forth. In counting the shareholders who have agreed to the proposal, the controlling shareholder of the Offeror or any entity on behalf of the controlling shareholder or of the Offeror shall not be considered, including their relatives or companies under their control.

B. The Laws of the province of Ontario:

Under the OBCA, if within 120 days after the date of a "take-over bid" or an "issuer bid", the bid is accepted by the holders of not less than 90% of the securities of any class of securities to which the bid relates, other than securities held at the date of the bid by or on behalf of the offeror, or an affiliate or associate of the offeror, the offeror is entitled, upon complying with the statute, to acquire the securities held by dissenting offerees under the same conditions, including price, that the offeror purchased the shares of the offerees accepting the bid. If the offeror exercises this right, shareholders must either sell their shares to the offeror on the terms of the bid or notify the offeror that they demand to be paid fair value for their shares.

5.4.18 **Exemption, Indemnification and Insurance**

A. Israeli Law:

The Companies Law sets forth provisions regarding exemption, indemnification and insurance of officers, according to which a Company is not permitted to exempt officers of liability due to a breach of duties of trust towards it. A company may exempt an officer from a breach of a duty of care towards it (except in connection with an illegal distribution), all in accordance with the provisions of the Companies Law. A company may insure the liability of officers or indemnify them in accordance with the provisions of the Companies Law.

B. The Law of the province of Ontario:

None of the provisions of the OBCA permits the Company to exempt directors and officers from their obligations arising from a breach of their duty of care owed to the Company.

A company may indemnify a director or officer, or a former director or officer, or a person acting or who acted at the request of the company as a director or officer or in a similar capacity of another entity, in respect of all reasonable costs and expenses incurred in respect of the defense of any civil, criminal or administrative action or proceeding in which he/she becomes a party due to being a director or officer of the company, provided that (i) the individual acted honestly and in good faith for with a view to the best interests of the company, or, as applicable, to the best interests of the other entity for which he/she acted as a director or officer or in a similar capacity at the request of the company ; and (ii) if the matter is a criminal or administrative proceeding enforced by a monetary penalty, the individual had reasonable grounds to believe that his/her conduct was lawful. The said individual shall be entitled to indemnification from the company if the individual fulfills the conditions set forth in (i) and (ii) above, and was not determined by a court or other competent authority that the individual committed any fault or omitted to do anything that the individual ought to have done.

A company is entitled to purchase and maintain insurance for the benefit of a director or officer, former director and former officer, or other individual acting or who acted at the request of the company as a director or officer, or an individual acting in a similar capacity in another entity, against any liability incurred:(a) in the individual's capacity as a director or as an officer of the company; or (b) in the individual's capacity as a director or officer or a similar capacity in another entity, if the individual acts or acted in that capacity at the request of the company.

5.4.19 **Duty of Trust and Care**

A. Israeli Law:

An officer of a company has a duty of trust and duty of care to the company. The provisions of the Companies Law apply to the duties of officers.

B. The Laws of the province of Ontario:

Directors and officers have a fiduciary duty and a duty of loyalty and care to the Company. In the exercising of his/her powers and the performance of his/her duties to the company, a director or officer shall: (a) act honestly and in good faith with a view to the best interests of the company; and (b) exercises the same care, diligence and skill with which a reasonably prudent person would act in comparable circumstances.

5.4.20 **Class Actions**

A. Israeli Law:

A person with a cause of action under any law arising from a connection to a security may, with the permission of the court, file an action in the same of a group including members who all have grounds arising from the same connection to a security, as stated in the Companies Law.

B. The Law in the province of Ontario:

The OBCA provides for oppression remedies and derivative actions.

Oppression remedies

A "complainant" may apply to the court for an order where, the court is satisfied that in respect of a corporation or any of its affiliates, (a) any act or omission of the corporation or any of its affiliates effects or threatens to effect a result; (b) the business or affairs of the corporation or any of its affiliates are, have been or are threatened to be carried on or conducted in a manner; or (c) the powers of the directors of the corporation or any of its affiliates are, have been or are threatened to be exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any security holder, creditor, director or officer of the corporation, and the court may make an order it thinks fit to rectify the matters complained of.

Derivative actions

A "complainant" can advance a derivative action on behalf of the corporation when the corporation refuses to bring the action itself. No action may be brought (1) unless the complainant has given fourteen days' notice to the directors of the corporation or its subsidiary (except notice is not required if all of the directors of the corporation or its subsidiary are defendants in the action) of the complainant's intention to apply to the court and the court is satisfied that, (a) the directors of the corporation or its subsidiary will not bring, diligently prosecute or defend or discontinue the action; (b) the complainant is acting in good faith; and (c) it appears to be in the interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued. Where a complainant is successful in persuading the court that leave to commence a derivative action should be given, the court may make any order it thinks fit.

The OBCA defines a "complainant" as: (a) a registered holder or beneficial owner, and a former registered holder or beneficial owner, of a security of a corporation or any of its affiliates, (b) a director or an officer or a former director or officer of a corporation or of any of its affiliates, (c) any other person who, in the discretion of the court, is a proper person to make an application.

Furthermore, in accordance with the Class Proceedings Act (Ontario), a shareholder may file a class action lawsuit in the court of Ontario against the company and its directors if: (a) the pleadings or notice of application discloses a cause of action; (b)

there is an identifiable class of 2 or more people that will be represented by a representative plaintiff or defendant; (c) the claims or defenses of the class action members raise common issues; (d) the class proceeding would be the preferred procedure for resolving common issues; (e) there is a representative plaintiff or defendant who: (1) fairly and adequately represents the interests of the class; (2) has produced a plan for proceeding that sets out a workable method of advancing the proceeding on behalf of the class and of notifying class members of the proceeding; and (3) has no conflict of interest with other class members with respect to the common issues of the class.

It shall be emphasized that the company, the controlling shareholder and officers undertake not to raise claims against the local jurisdiction of the court in Israel in connection with proceedings filed by holders of debentures of the Company.

5.4.21 **Grounds for Liquidating the Company**

A. The Israeli Law:

Under the Companies Ordinance, the grounds for liquidation by a court are as follows: 1. The company has passed a special resolution that it will be liquidated by the court; 2. The company has not commenced its operations within one year of being incorporated, or has ceased its business for a period of one year; 3. The company was solvent; 4. The Court believes that it is just and fair for the company to liquidate.

B. The Laws of the province of Ontario:

Shareholders of the company are entitled by means of a special resolution require the company to be wound up voluntarily. A company may also be wound up by order of the Court of Ontario in any of the following events:

(a) where the court is satisfied that in respect of the corporation or any of its affiliates,

(i) any act or omission of the corporation or any of its affiliates effects a result, or

(ii) the business or affairs of the corporation or any of its affiliates are or have been carried on or conducted in a manner, or

(iii) the powers of the directors of the corporation or any of its affiliates are or have been exercised in a manner,

that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of any security holder, creditor, director or officer; or

(b) where the court is satisfied that,

(i) a unanimous shareholder agreement entitled a complaining shareholder to demand dissolution of the corporation after the occurrence of a specified event and that event has occurred, or

(ii) proceedings have been begun to wind up voluntarily and it is in the interest of contributories and creditors that the proceedings should be continued under the supervision of the court, or

(iii) the corporation, though it may not be insolvent, cannot by reason of its liabilities continue its business and it is advisable to wind it up, or

(iv) it is just and equitable for some reason, other than the bankruptcy or insolvency of the corporation, that it should be wound up;

(c) where the shareholders by special resolution authorize an application to be made to the court to wind up the corporation.

A winding-up order may be made upon the application of the corporation or of a shareholder or, where the corporation is being wound up voluntarily, of the liquidator or of a contributory or of a creditor having a claim of $2,500 or more.Under certain circumstances, it is also possible to conduct reorganization and liquidation proceedings under the Bankruptcy and Insolvency Act (Canada) and the Companies' Creditors Arrangement Act (Canada).

It shall be noted that the company, a controlling shareholder or officer of the company will not oppose a request of the Trustee and/or the holders of Debentures (Series A) submitted to a court in Israel to apply the Israeli law regarding settlement and arrangements and bankruptcy, if any, and will not oppose the application by an Israeli court of Israeli law to settlement and arrangements and bankruptcy.

For the avoidance of doubt it should be clarified and emphasized that the undertakings of the controlling shareholders and officers shall include a specific irrevocable undertaking not to initiate insolvency proceedings under foreign law and in jurisdiction that is not Israel.

Given the above, and subject to the existence of the undertakings of the controlling shareholders and officers, it should be clarified and emphasized that an insolvency procedure which is not under Israeli law and in Israeli courts can only result from a claim by a foreign creditor.

5.4.22 <u>Priority Rights</u>

A. Israeli Law:

The order of priority in the return of debts in a liquidation is as detailed below (subject to the dates and ceilings set forth by law): (1) receiver expenses; (2) tax debts with a statutory pledge; (3) debts secured with a fixed pledge; (4) salaries for Company employees and loans for the payment of salaries; (5) income tax for employees withheld and which have not yet been paid; (6) taxes and obligatory payments (including municipal taxes, taxes to the treasury and governmental fees to the registrar) and lease fees that the company owes for its assets; (7) debts secured with a floating charge which was formulated upon the liquidation; (8) debts to general creditors; (9) shareholders of the Company.

When the company's assets are not sufficient for the repayment of its debts to general creditors, the said debts will have priority based on the claims of holders of debentures by virtue of a floating charge.

B. The Laws of the province of Ontario:

Upon a winding up,

(a) the liquidator shall apply the property of the corporation in satisfaction of all its debts, obligations and liabilities and, subject thereto, shall distribute the property rateably among the shareholders according to their rights and interests in the corporation;

(b) in distributing the property of the corporation, debts to employees of the corporation for services performed for it due at the commencement of the winding up or within one month before, not exceeding three months' wages and vacation pay accrued for not more than twelve months, shall be paid in priority to the claims of the ordinary creditors, and such persons are entitled to rank as ordinary creditors for the residue of their claims.

The costs, charges and expenses of a winding up, including the remuneration of the liquidator, are payable out of the property of the corporation in priority to all other claims.

Notwithstanding the foregoing, the law as it relates to "priorities" in the event of a liquidation of the corporation (whether voluntary or involuntary) involves numerous and often conflicting statutes and common law principles.

Chapter 6 – Use of the Proceeds of the Offering

6.1 Proceeds of the Offering

The expected proceeds from the offering to the public, the estimated expenses involved in the issuing of the proposed securities and the expected net proceeds from the offering will be specified in the supplementary notice that will be published accordance with section 16(a1)(2) of the Securities Act and the Securities Regulations (Supplemental Notice and Draft Prospectus), 2007. As to the date of the prospectus, the details of contract and the compensation to the distributors are not finalized. However, the expected proceeds based on the maximum amount proposed, as described in this prospectus, may be an amount of 200,000,000 NIS.

6.2 Use of the proceeds of the offering

The proceeds of the offering will be used by the Company to finance its business activities, according to its decisions, as shall be from time to time, including:

Portion of the proceeds[1]	Use of the proceeds
CAD 46,000 thousand	Owners loans to subsidiarties of the Company for the purpose of providing working capital and repaying loans in the Lawrence, Mallow, Patricia, Caledonia and Downsview projects, in accordance with the Deed of Trust.
CAD 3,500 thousand	Payment of land transfer tax
CAD 100 thousand	Expenses Cushion, as defined in the Deed of Trust
Approx. NIS 7,000 thousand	Interest Cushion, as defined in the Deed of Trust

The remaining proceeds are earmarked for finance Company's activity, including the repayments of loans and as working capital for projects[2], in accordance with the Company's discretion and in accordacne with Company's decisions, as they will be from time to time.

Until the proceeds of the offering are used, as aforesaid, the Company will deposit the proceeds of the offering in Israeli banks that are not rated below AA (or an equivalent

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1 Assuming all the units offered under this prospectus are purchased

2 Including loans secured by, among others, Controlling Shareholder's guarantees.

international rating) and/or in government bonds issued by the Bank of Israel or the US government or the Canadian government, and/or treasury bills issued by the Bank of Israel and/or similar securities issued by the US government or by the Canadian government, as determined by the Company's management from time to time.

It is noted that as of the date of publication of the prospectus, the Company does not intend to use the proceeds of the offering to invest in currency derivatives other than for hedging purposes.

6.3 Underwriting

The issuance of debentures (Series A) under this prospectus is not guaranteed by underwriting. However, Apex Issuances Ltd. (hereinafter – "**Apex**") was the pricing underwriter (as it is defined in Section 1 of the Securities Law, 1968) of the offering under this prospectus, and was involved in determining the structure of the offering, Apex has signed the published drafts of this prospectus and will therefore be required to sign the final prospectus[3].

6.4 Minimum amount

No minimum amount for this offering has been determined.

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3 To the date of the prospectus, the Company did not sign an underwriting agreement. Details regarding an underwriting agreement, when will be signed, will be specified in the supplemental notice.

Chapter 7 – Description of Corporate Business

Part I - Description of general development of corporate business

[Tables of content]

Definitions

For convenience, below are key definitions used in this chapter:

"The Company"	Urbancorp Inc.
"Group companies" or **"the Group"**	The Company, subsidiaries and associates.
"Saskin" or **"the controlling shareholder"**	Alan Saskin, the controlling shareholder of the Company and founder of Urbancorp Group, serves as Chairman and CEO of the Company.
"The rights holders"	Alan Saskin and his family.
"Urbancorp Group"	A commercial name comprised of private corporations held by Alan Saskin (directly or indirectly through other entities controlled thereby), alone, including with his family members or with partners, that hold, as of the prospectus date and prior to transfer of Alan's holdings in the transferred companies to the Company, real estate properties in and outside Toronto (whether development projects, rental properties and/or land classified as investment property). Note that not all Urbancorp Group companies would be transferred to the Company. Consequently, after completion of the issuance pursuant to this prospetus and transfer of Alan's holdings in the transferred companies to the Company, Urbancorp Group would still consist of companies that hold development and investment real estate properties which would not be transferred to the Company.
"The Transferred Rights"	As these terms are defined in section 7.1.7 below.
"The Transferred Companies"	As defined in section 3.3.2.
"Condominium"	As this term is defined in section 7.8.1(h) below.
"Dollar" or **"CAD"**	Canadian Dollar.
"Square feet" or **"sqft"**	To convert square feet to square meters, 10 sqft = 0.9290 m^2. For example, a property with an area of 5,000 sqft has an area of 464.5 m^2.

"The management company"	Urbancorp Toronto Management Inc., a private company not to be transferred to the Company in conjunction with transfer of the transferred rights, as defined below.
"Triple Net Lease"	A Triple Net Lease is a lease agreement on a property where the tenant or lessee agrees to pay all real estate taxes, building insurance, and maintenance on the property in addition to any normal fees that are expected under the agreement (for example rent, utilities, etc.). Commercial and retail spaces of the Company usually rented in Triple Net Lease agreements, hence, all commercial and retail leasing prices in this prospectus include such expenses.

The Company was incorporated on June 19, 2015 without any assets, liabilities or operations. Subject to completion of the offering, the transferred rights would be transferred to the Company and the Company would hold the transferred companies, as these terms are defined in section 7.1.6 below and in section 3.3.2 above (accordingly). Consequently, the Company's consolidated pro-forma financial statements are compiled so as to reflect the acquisition of the transferred holdings, as if it had taken place at the start of the earliest period presented on the consolidated pro-forma financial statements (January 1, 2012), upon incorporation of the transferred companies or upon the acquisition date by the rights holders of the holdings in these companies, whichever is later. For more information see Note 1.C to the financial statements.
Note, for this matter, that unless otherwise explicitly noted, any reference to "the Company" in this prospectus is a reference to the Company and entities controlled thereby, as if the issuance had always been completed and the transferred rights had always been transferred to the Company.

7.1 Description of Corporate Operations and Development of Corporate Business

7.1.1 Year and form of incorporation

The Company was incorporated on June 19, 2015, pursuant to the Law in Ontario Province, Canada.

7.1.2 About Mr. Alan Saskin and Urbancorp Group

Mr. Alan Saskin, President and owner of Urbancorp Group, has 32 years' experience in the real estate market. After serving real estate companies in

Canada as Development Manager and VP for a decade, in 1991 Mr. Saskin founded Urbancorp Group. Urbancorp Group is engaged in real estate project development and construction, both on its own and through joint ventures - primarily focused on residential communities in downtown Toronto.

Urbancorp Group is acting based on an approach which promotes construction in mixed-income neighborhoods with easy access to public transportation, community facilities and recreational facilities for families.

As owner and manager of Urbancorp Group, Alan Saskin has forged successful development partnerships with some of the best respected corporations in Canada's real estate market and banking.

Urbancorp Group has a proven track record of turning abandoned industrial land into communities for first-time home buyers. Urbancorp Group has proven over the years its ability to develop vibrant and valuable neighborhoods for residents.

In conducting their business, Alan Saskin and Urbancorp Group strive for innovative, sustainable development and design, with many Urbancorp Group projects incorporating of renewable energy such as geothermal energy.

7.1.3 Background for Company incorporation and debt issue in Israel

The Company was incorporated for the purpose of raising capital through issuance of non-convertible debentures on the Tel Aviv Stock Exchange Ltd. (hereinafter: "the **stock exchange**") or investment in real estate in Canada.

7.1.4 Comprehensive services agreement

Since the Company has no management of its own with regard to its operations, on November 29, 2015 it has contracted a management services agreement with the management companies, for provision of management services by the controlling shareholders and by Urbancorp Group HQ staff, including services of: CFO, accounting, comptroller, office services, telecom, IT, secretary etc.. For more information about major terms and conditions of the aforementioned management services agreement, see section 9.2.2 below.

Also note that Group companies receive management, development and marketing and construction services for various Group projects from the management company as well as on-going services from the management company, as set forth above. For more information about major terms and conditions of management agreements for rental properties, see section 9.2.2.1 below.

7.1.5 Commitment to delimit activities of the controlling shareholder[1]

(a) The controlling shareholder has committed not to develop residential properties for sale or rental in Toronto, Canada with total own investment in excess of CAD 6 million (in equity) (this total investment is for a specific development property project, not cumulative for multiple projects) other than residential development projects currently held by Saskin and affiliates thereof - other than the Company - as of the prospectus date (hereinafter: "**new property**" or "**new project**", as the case may be), other than through the Company, subject to the Company's right-of-first-refusal to acquire the new property or the new project, as set forth in sub-section (b) below.
Notwithstanding, it is noted that the definition of new property shall not include purchasing of partner's part in existing assets.

(b) The controlling shareholder will undertake that whenever a new property, as defined in sub-section a. above, would be proposed to him, he would propose to the Company to develop the new project and/or to acquire the new property and/or to invest in the new property (hereinafter: "the **proposal**"). The proposal would be first submitted to the Board of Directors, which would be required to provide its decision with regard to the proposal within 5 business days from receiving all material and information required by a reasonable Board of Directors to make an investment decision with regard to the proposal. A decision with regard to acceptance of the proposal would be passed only by the Company Board of Directors. Should the Board of Directors fail to approve acceptance of the proposal, the decision to reject the proposal would be submitted for approval by the Audit Committee, whose decision to reject the proposal would be final. Should the Audit Committee not approve the rejection of the proposal by the Company, the controlling shareholder may not accept the proposal - which would be submitted for further discussion by the Board of Directors, and the Board of Directors may accept the proposal. It is noted that in case the Board of Directors did not accept the proposal, the controlling shareholder may (directly or indirectly) accept the proposal. In case of non-response to the proposal by the Company within 5 business days from receiving all information required for a reasonable Board of Directors to make an investment decision with regard to the

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[1] The commitment by the controlling shareholder to delimit their activities shall apply for as long as he is the controlling shareholder of the Company. The Audit Committee is the competent organ to approve a revision in the controlling shareholder's commitment to delimit activities.

proposal, the proposal would be deemed to have been rejected (by the Audit Committee); in case of rejection of or non-response to the proposal, the controlling shareholder may (directly or indirectly) accept the proposal. Furthermore, in case where, despite acceptance of the proposal by the Company, no agreement for investment in the new project and/or acquisition of the new project by the Company shall materialize (for reasons not contingent on the controlling shareholder), the controlling shareholder may (directly or indirectly) make such investment and/or acquisition, subject to the right of refusal provision as set forth above in this section.

(c) The Company will issue an Immediate Report concerning any decisions by the Company's Audit Committee and Board of Directors after every such decision concerning delimitation of activities.

(d) The commitment by the controlling shareholder to delimit his activities, in conjunction of the framework decision above, and the right-of-first-refusal granted to the Company, are given for no consideration.

Note that as of the prospectus date, Saskin owns multiple real estate development projects in Toronto, which would not be transferred to the Company in conjunction with transfer of the transferred rights to the Company.

7.1.6 Acquisition of the transferred companies by the Company from the Rights Holders against share allocation

The Rights Holders (as defined above) have committed that, prior to listing for trading on the stock exchange of debentures (Series A) offered to the public pursuant to this prospectus, and subject to successful issuance to the public, they would transfer to the Company their rights (including indirectly through corporations owned thereby) in the transferred entities which indirectly hold rights to rental investment property, development property and geothermal assets in Toronto, Ontario in Canada, including liabilities with respect thereto, and would assign the Company their right to the repayment of loans from entities held be them, which amounts to CAD 8,000 thousand (hereinafter together: "the **Transferred Rights**") against issuance of class shares to to Urbancorp Holdco Inc, a corporation wholly-owned by Saskin, which will issue similar class shares to the Interest Holders, and will be fully controlled by Saskin.

For details see section 3.3.2 of the prospectus and note 1 to the financial statements as of December 31, 2014.

For the Company holding chart after transfer of the transferred rights to the Company, see section 7.1.7 below.

It is hereby clarified that transfer of the transferred rights and liabilities is not contingent on any suspensive conditions and would become effective subject to successful issuance to the public[2].

The Controlling Shareholder of the Company undertakes not give any indemnity to the Company regarding the Transferred Rights to the Company and / or Transferred Companies.

Subject to successful conclusion of the issuance, the Company intends to repay loans obtained from corporations and financial institutions, as set forth in Chapter 6 of the prospectus.

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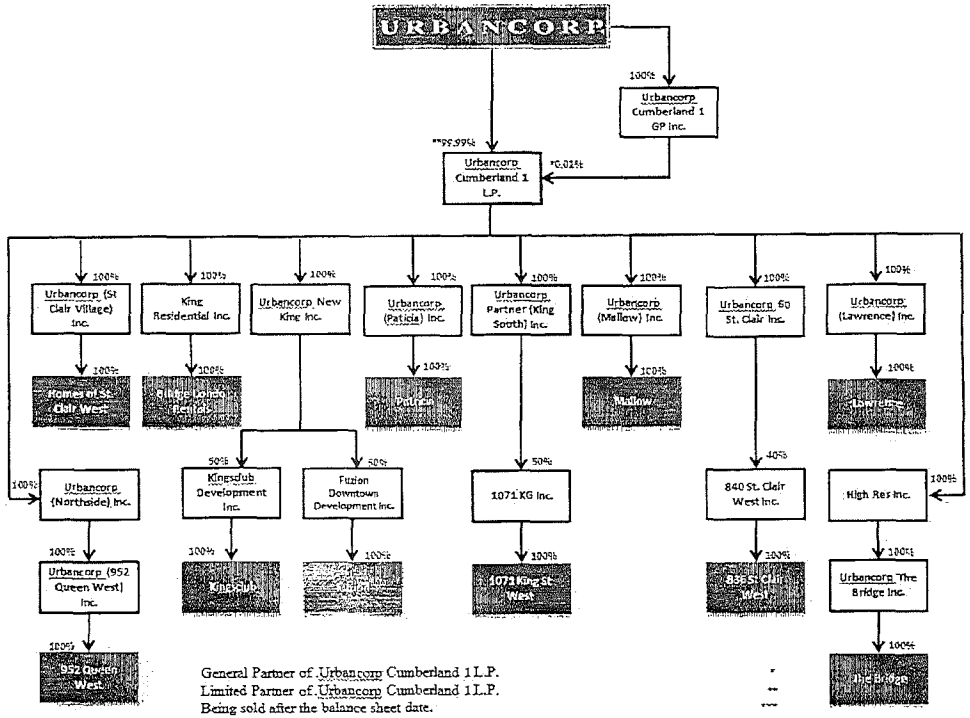
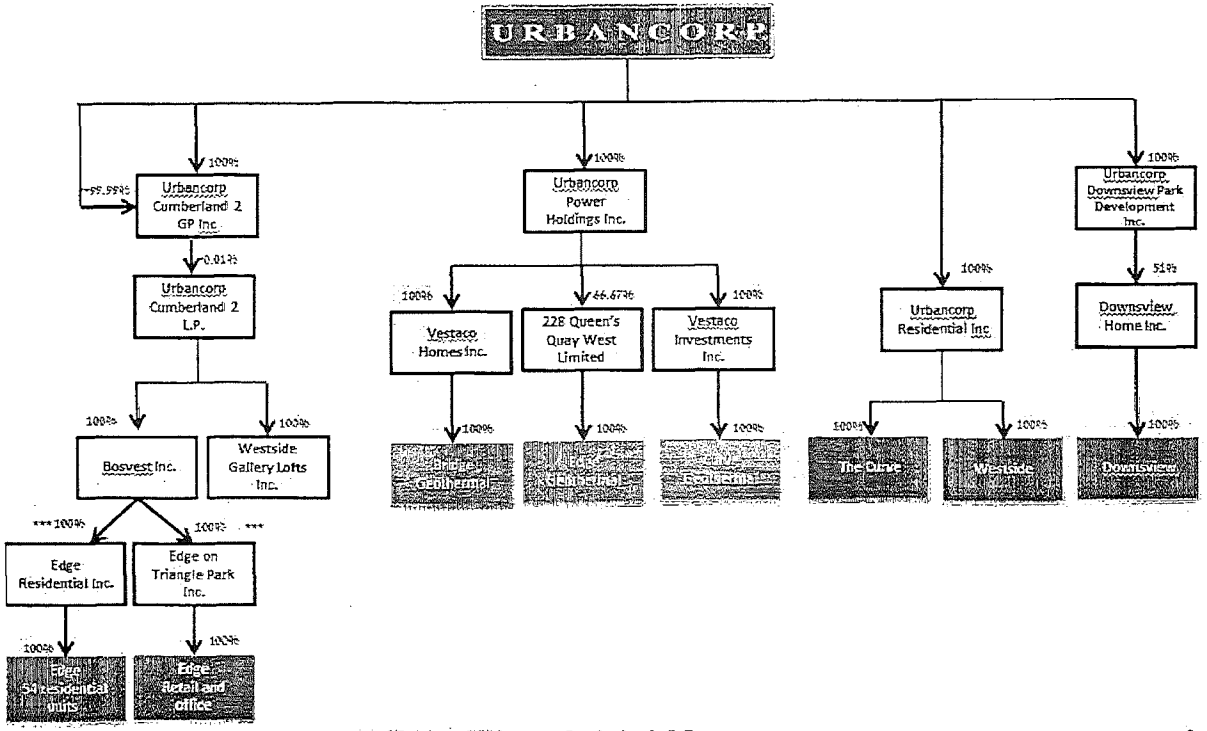
2 The Company has approached for receiving the required cinsents of third parties (lenders and partners) and as of this date received such consents of third parties, except of written consent of related parties to First Capital Realty, which is expected to be received in the following days before the issuance.

7.1.7 Holding structure of the Company and transferred companies - since its inception through the prospectus issue date, the Company had no operations as it was incorporated for the purpose of issuance pursuant to this prospectus.

The following chart lists the Company's holding structure in the transferred companies, immediately after transfer of the transferred rights to the Company.





General Partner of Urbancorp Cumberland 2 L.P. *
Limited Partner of Urbancorp Cumberland 2 L.P. **
After June 30, 2015 (after the completion of the project), an agreement with the Company's partner in the project has come into force, which ends the partnership agreement. For further details, see section 7.7.6.1 below. ***

7.1.8 Below is general information about projects and property portfolio of Group companies as of June 30, 2015 and as of the prospectus date (data at 100%, CAD in thousands).

7.1.8.1 Projects classified as investment property

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
1.	952 Queen	952 Queen is a mixed-use project which will consist of rental and development portions. The project will include a residential building of 8 floors with an above grade buildable floor area of 93,086 sqft. The project will consist of 133 residential units with a total saleable and leaseable floor area of 77,920 sqft, of which 50 residential units consist of leaseable floor of 30,760 sqft are the rental portion of this	Investment land (rental property)	17 Apr 2012	Project construction is expected to start in the fourth quarter of 2015. Project	100% (Consolidated)	4,085	This project is currently in planning and so has 0 revenues. Company projection indicate annualized	This project is currently in planning and so has 0 revenues. Company projection indicate annualized	---

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		project and a commercial portion with a leaseable area of 7,500 sqft , to be classified as investment property under construction. In March 2014, the Company acquired the remaining 50% interest in the property which at the time was held by Terra Firma, for consideration amounting to CAD 2,800 thousand - which is the equity provided by Terra Firma with respect to the project. On August 11, 2015, the Property			sold after the balance sheet date			revenues of CAD 1,690 thousand when complete[3]. Project sold after the balance sheet date	NOI of CAD 1,276 thousand when complete[4]. Project sold after the balance sheet date	

[3] Assumptions: 97% occupancy rate, $3.50 per square foot residential rental rate per month and $60 per square foot annual retail rent (triple net lease contract).
[4] Assumptions: 97% occupancy rate, 33% expense ratio regarding residential units, $3.50 per square foot residential rental rate per month and $60 per square foot annual retail rent (triple net lease contract).

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		Company entered into a conditional agreement with a third party for the sale of the property for the sum of $14,500,000.00. The agreement for the purchase of the property is conditional upon the purchaser being satisfied with all aspects of the property in its sole and absolute discretion, including the physical and environmental condition of the property. On October 20, 2015 the transaction was closed.								
2.	1071 King	1071 King is a rental property project under development, with a residential building consisting of 30 floors with an above grade buildable	Investment land (rental property)	01 Nov 2011	Project construction is expecte	50% (Joint operation with First Capital	7,279	This project is currently under	This project is currently under	For details regarding the co-

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		floor area of 232,691 sqft. The project is expected to include 300 residential units with a leaseable floor area of 173,301 sqft, and a commercial portion with an area of 7,361 sqft, and offices with a leaseable floor area of 21,447 sqft.			d to start in the second quarter of 2016 and completion is expected in third quarter of 2018	1071 Corporation[5])		planning and so has 0 revenues. Company projection indicate annualized revenues of CAD 7,629 thousand when complete[6].	planning and so has 0 revenues. Company projection indicate annualized NOI of CAD 5,499 thousand when complete[7].	ownership agreement, see section 7.14 below.

[5] Being held to Company's knowledge by First Capital Realty, a public company traded in Toronto stock exchange, a part of Gazit Globe Group.

[6] Assumptions: 97% occupancy rate, $3.20 per square foot residential rental rate per month and an average of $42 per square foot annual retail and office rent (triple net lease contract).

[7] Assumptions: 97% occupancy rate, 33% expense ratio regarding residential units, $3.20 per square foot residential rental rate per month and an average of $42 per square foot annual retail and office rent (triple net lease contract).

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
3.	Bridge	Bridge is a building of 22 floors, consisting of 533 residential units, of which 13 units owned by the Company, which constitute the rental portion of this project, to be classified as investment property. It should be noted that all other residential units in this building were sold between 2010 and 2011 and are not owned by the Company.	Investment property (rental property)	14 Nov 2007	Construction completed on Nov 2010	100% (Consolidated)	3,570	196	98	---
4.	Curve	Curve is a building of 8 floors, consisting of 133 residential units, of which 11 units owned by the Company, which constitute the rental portion of this project, to be classified as investment property. Note that all other residential units in this building were sold in 2014 and are not owned by the Company.	Investment property (rental property)	2005	Construction completed on Oct 2011	100% (Consolidated)	3,460	189	80	---

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
5.	Downsview Block E	Downsview is a mixed-use project consisting of rental and development portions. The first phase of the project consists of 551 low-rise residential buildings with a total area of 832,485 sqft, of which Block E of the project consists of low-rise residential buildings with 60 residential units with a total leaseable floor area of 62,722 sqft, to be the rental portion of this project, which would be classified as investment land with construction expected to begin in the fourth quarter of 2015.	Investment land (rental property)	4 June 2015	Project construction is expected to start in the fourth quarter of 2015 and completion is expected in the first	51% (Joint operation with Mattamy[8]). For details regarding encumbering of Company's interest in the project in favor of the Partner as part of a loan given by the Partner to the	4,000	This project is currently under planning and so has 0 revenues. Company projection indicate annualized revenues of CAD 1,789 thousand	This project is currently under planning and so has 0 revenues. Company projection indicate annualized NOI of CAD 1,145 thousand	--- For further details regarding material agreement of the project, see section 7.8.6.2 below.

[8] To Company's knowledge, Mattamy is one of the largest residential construction companies in Canada.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
					quarter of 2017	Company, see section 7.8.6.2 below.		when complete[9].	when complete[10].	
6.	Downsview Blocks A&P (Affordable Housing)	Downsview Blocks A&P is a mixed-use project consisting of rental and development portions. The project consists of 526 residential units in two towers, with a total above grade buildable floor area of 408,308 sqft, of which 53 residential units with a total leaseable floor area of 41,141 sqft, to be the rental portion of this	Investment land (rental property)	4 June 2015	Project construction is expected to start in the third quarter of 2016	51% (Joint operation with Mattamy[11]). For details regarding encumbering of Company's interest in the	2,400 (24,000, of which 2,400 is attributable to income producing properties	This project is currently under planning and so has 0 revenues. Company projection	This project is currently under planning and so has 0 revenues. Company projection	--- For further details regarding material agreement of the project,

[9] Assumptions: 97% occupancy rate, $2.45 per square foot residential rental rate per month.
[10] Assumptions: 97% occupancy rate, 36% expense ratio regarding residential units, $2.45 per square foot residential rental rate per month.
[11] To Company's knowledge, Mattamy is one of the largest residential construction companies in Canada.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		project, which would be classified as investment property with construction expected to begin in the third quarter of 2016. This part of Downsview is part of the Block Lands, as defined in section 7.8.6.2 below.			and completion is expected in the second quarter of 2018	project in favor of the Partner as part of a loan given by the Partner to the Company, see section 7.8.6.2 below.	of the project)[12]	indicate annualized revenues of CAD 1,173 thousand when complete[13].	indicate annualized NOI of CAD 751 thousandwhen complete[14].	see section 7.8.6.2 below.
7.	Edge	Edge is a mixed-use project consisting of rental and development portions. The project consists of two towers of 21 and 22 stories built on top of a 7 story podium with a total above grade	Investment property (rental property)	26 Feb 2010	Construction completed on May 2015.	66.67% (Joint operation) It is noted that after June 30,	The appraised value of the 39 units rented out	This project is currently in the rent-up period, with an	This project is currently in the rent-up period, with an	For further details, see section 7.7.6.1

[12] It is noted that the appraisal done in April 2013. The Company estimates that as of the prospectus date that there were no significant changes in the valuations between the effective date, March 31st, 2013, and the prospectus date.
[13] Assumptions: assuming 97% occupancy rate, $2.45 per square foot residential rental rate per month.
[14] Assumptions: assuming 97% occupancy rate, 36% expense ratio regarding residential units, $2.45 per square foot residential rental rate per month.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		buildable floor area of 690,678 sqft, consisting of 666 residential units, of which 87 residential units with a total leaseable floor area of 46,576 sqft to be the rental portion of this project, which would be classified as investment property. Construction completed in May 2015 As of June 30, 2015, the office space of 38,954 sqft is vacant. As of the prospectus date, the said space is fully owned by the Company and the Company waits for zoning approval of the said space as office space, which after obtaining such zoning, the Company will lease it.				2015, an agreement with the Company's partner in the project has come into force, which ends the partnership agreement. For further details, see section 7.7.6.1 below.	as of 30-Jun-2015 is 10,310	annualized revenue of 384 for 2015, assuming rental trends continue linearly until fully. Management indicate annualized revenues of CAD 1,572 thousand after renting all	annualized NOI of 216 for 2015, assuming rental trends continue linearly until fully. Management indicate annualized revenues of CAD 1,053 thousand after renting all	below.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		The project includes a commercial portion with a total area of 3,700 sqft.						residential units owned by the Company as of prospectus date (54 residential units)[15].	residential units owned by the Company as of prospectus date (54 residential units)[16].	
8.	Kingsclub	Kingsclub is an investment property project. The project consists of three inter-connected residential buildings above a 2-storey podium of commercial retail space, and 4 underground parking floors, with a	Investment property under construction (rental property)	November 2010	The construction of the project has	50% (Joint operation with King Liberty North Corporation,	Company's share of the income producing property	This project is currently under construction and so	This project is currently under construction and so	For further details, see section 7.7.6.2

[15] Assumptions: 97% occupancy rate, residential rental rate of $2.90 per square foot per month.
[16] Assumptions: 97% occupancy rate, residential rental rate of $2.90 per square foot per month, and a 33% expense ratio regarding residential units.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		total above grade buildable area of 527,554 sqft. The project is expected to include a residential portion for rental with a total leaseable floor area of 329,812 sqft, consisting of 506 residential units, as well as a commercial portion of 15 units with a total leaseable area of 157,205 sqft. Project construction was started in November 2012.			started November 2012 and completion is expected in the first quarter of 2018	which, to the best of the Company's knowledge is owned by First Capital Realty[17]). For details regarding encumbering of Company's interest in the project in	(2 of the 3 towers and commercial space) is 43,220[18]	has 0 revenues. Company projection indicate annualized revenues of CAD 18,040 thousand when complete[19].	has 0 revenues. Company projection indicate annualized NOI of CAD 14,049 thousand when complete[20].	below.

[17] A public company traded in Toronto stock exchange, a part of Gazit Globe Group.
[18] For details regarding the classification of the first building in the project, see section 7.7.6.2.a below.
[19] Assumptions: 97% occupancy rate, $3.15 per square foot residential rental rate per month and $39 per square foot annual commercial rental rate (triple net lease contract).
[20] Assumptions: 97% occupancy rate, 33% expense ratio regarding residential units, $3.15 per square foot residential rental rate per month and $39 per square foot annual commercial rental rate (triple net lease contract).

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		For further details regarding the sale of a non-specific interest in one third (1/3) of each residential unit in the project to a third-party not affiliated with the Company, see section 7.7.6.2 below.				favor of the Partner as part of a loan given by the Partner to the Company, see section 7.7.6.2 below.				
9.	St. Clair	St. Clair is an investment property project. The project consists of a building with 8 floors, with a total above grade buildable floor area of 96,365 sqft, consisting of 138 residential units with a total leaseable floor area of 79,709 sqft, to be classified as investment property under construction.	Investment land (rental property)	12 Dec 2011	construction expected to start in the first quarter of 2016 and	40% (Joint operation with Hendrick and Main Development Inc.[21])	2,527	This project is currently under planning and so has 0 revenues. Company	This project is currently under planning and so has 0 revenues. Company	For details regarding the co-ownership agreement, see section

[21] To Company's knowledge, Hendrick and Main Development Inc. is a privately held retail-centric mixed use real estate developer operating in Toronto and Ottawa.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		The project is expected to include a commercial portion with a leaseable floor area of 7,800 sqft. The Company has construction rights with an area of 105,775 square feet.			completion is expected in the third quarter of 2017			projection indicate annualized revenues of CAD 3,010 thousand when complete[22]	projection indicate annualized NOI of CAD 2,092 thousand when complete[23]	7.14 below.
10.	Westside	Westside is a project consisting of 1 building, constructed by the Company and registered as condominium in August 2012, consisting of 354 residential units, of which 7 units are owned by the	Investment property (rental property)	26 Apr 2005	construction completed on Aug 2010	100% (Consolidated)	2,220	122	56	---

[22] Assumptions: 97% occupancy rate, $3.00 per square foot residential rental rate per month and $30 per square foot annual commercial rental rate (triple net lease contract).
[23] Assumptions: 97% occupancy rate, 33% expense ratio regarding residential units, $3.00 per square foot residential rental rate per month and $30 per square foot annual commercial rental rate (triple net lease contract).

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Construction date / completion date	Company's share of the property (consolidated / joint venture)	Fair value of property / land based on valuation as of June 30, 2015 (CAD in thousands)	Annualized revenues (at 100%) (CAD in thousands)	NOI Annualized income (at 100%) (CAD in thousands)	Section in the prospectus
		Company, constituting the rental portion of the project, to be classified as investment property.								

7.1.8.2 Development projects:

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
1.	952 Queen	952 Queen is a mixed-use project which will consist of rental and development portions. The project will include a residential building of 8 floors with an above grade buildable	Development property under planning. This is a mixed-use property and	01 Nov 2011	100% (Consolidated)	51,771	---	As of the prospectus date, the Company is unable to estimate the	As of the prospectus date, the	---

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
		floor area of 93,086 sqft. The project will consist of 133 residential units with a total a total saleable and leaseable floor area of 77,920 sqft of which 83 residential units with a total saleable floor area of 47,160 sqft, to be the development portion of this project, which would be classified as development real estate under planning. The project is expected to include a Project construction is expected to start in the fourth quarter of 2015. In March 2014, the Company acquired the remaining 50% of the property which at the time were held by Terra Firma, for consideration amounting to CAD 2,800 thousand - which is the equity provided by Terra Firma with respect to the project. On August 11, 2015, the Property	includes condominium residential units for sale					expected gross profit for this project due, *inter alia*, to the fact that construction of this project has yet to start, since the Company has yet to contract a financing agreement for construction of this project and secure contracts with construction contractors, and therefore the total cost required for completion of this project is not final as of this date. However, based on	project is under planning ; preparation for construction of this project is expected to start in the fourth quarter of 2015.	

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
		Company entered into a conditional agreement with a third party for the sale of the property for the sum of $14,500,000.00. on October 20, 2015 the transaction was closed.						Company experience with similar projects in this area, the Company expects the gross margin for this project to be 4% or higher.		
2.	Caledonia (St. Clair Village)	St. Clair Village is a development project under planning. The project consists of 41 residential semi-detached townhomes with an area of 118,300 sqft. Project construction has started in the fourth quarter of 2015. The Company has construction rights with an area of 118,300 square feet. As of June 30, 2015, the asset company has engaged in pre-sale agreements in regards to all of the residential units of the project.	Development property under planning. The property includes residential units for sale	01 Aug 2013	100% (Consolidated)	29,888	---	As of the prospectus date, the Company is unable to estimate the expected gross profit for this project due, *inter alia*, to the fact that construction of this project has yet to start, since the Company has yet to contract a	As of the prospectus date, the project is under planning ; construction of this project is	---

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
								financing agreement for construction of this project and secure contracts with construction contractors and therefore the total cost required for completion of this project is not final as of this date. However, based on Company experience with similar projects in this area, the Company expects the gross margin for this project to be 17.1% or higher.	expected to start in the fourth quarter of 2015 and completion is expected in the first quarter of 2017.	

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
3.	Downsview Phase I	Downsview phase I is a development property under planning. The project consists of 491 low-rise residential units with a total saleable floor area of 769,763 sqft, to be the development portion of this project, which would be classified as development property under planning. This part of Downsview in part of the Block Lands, as defined in section 7.8.6.2 below. Project construction is expected to start in the fourth quarter of 2015. The Company has additional construction rights with an area of 1,179,040 sqft. As of the prospectus date, Company management has designated this land for development property.	Development property under planning. This is a residential property and includes residential units for sale	4 June 2015	51% (Joint operation with Mattamy[24]). For details regarding encumbering of Company's interest in the project in favor of the Partner as part of a loan given by the Partner to the Company, see section 7.8.6.2 below.	223,957	---	As of the prospectus date, the Company is unable to estimate the expected gross profit for this project due, *inter alia*, to the fact that construction of this project has yet to start, since the Company has yet to contract a financing agreement for construction of this project and secure contracts with construction contractors and	As of the prospectus date, the project is under planning ; construction of this project started in the fourth quarter of 2015 and completi	For further details, see section 7.8.6.2 below.

[24] To Company's knowledge, Mattamy is one of the largest residential construction companies in Canada.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
								therefore the total cost required for completion of this project is not final as of this date. However, based on Company experience with similar projects in this area, the Company expects the gross margin for this project to be 16.5% or higher.	on is expected in the second quarter of 2017.	
4.	Downsview Blocks A&P (Affordable Housing)	Downsview Blocks A&P is a mixed-use project consisting of rental and development portions. The project consists of 526 residential units in two towers, with a total above grade buildable floor area of 408,308 sqft, of	Land reserve. This is a mixed-use property and includes condominium residential units	4 June 2015	51% (Joint operation with Mattamy[25]). For details regarding	150,921	---	As of the prospectus date, the Company is unable to estimate the expected gross profit for this	As of the prospectus date, the project	For further details, see section 7.8.6.2

[25] To Company's knowledge, Mattamy is one of the largest residential construction companies in Canada.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
		which 473 residential units with a total saleable floor area of 367,166 sqft, to be the development portion of this project, which would be classified as development property under planning. This part of Downsview in part of the Block Lands, as defined in section 7.8.6.2 below. Project construction is expected to start in the third quarter of 2016.	for sale		encumbering of Company's interest in the project in favor of the Partner as part of a loan given by the Partner to the Company, see section 7.8.6.2 below.			project due, *inter alia*, to the fact that marketing and construction of this project has yet to start, since the Company has yet to contract a financing agreement for construction of this project and secure contracts with construction contractors and therefore the total cost required for completion of this project is not final as of this date. However, based on Company	is under planning ; construction of this project is expected to start in the third quarter of 2016 and completion is expected in the second quarter of 2018.	below.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
								experience with similar projects in this area, the Company expects the gross margin for this project to be 16.5% or higher.		
5.	Downsview 29 Lots	Downsview 29 Lots is a development property under planning. The project consists of 60 low-rise residential buildings, with a total area of 168,000 square feet, which would be classified as development property under planning. This part of Downsview in part of the Lots Lands, as defined in section 7.8.6.2 below. Project construction is expected to start	Land reserve. This is a residential property and includes residential units for sale	4 June 2015	51% (Joint operation with Mattamy)	49,085	---	As of the prospectus date, the Company is unable to estimate the expected gross profit for this project due, *inter alia*, to the fact that marketing and construction of this project has yet to start, since the Company has yet	As of the prospectus date, the project is under planning; construction of this project	For further details, see section 7.8.6.2 below.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
		in the third quarter of 2016.						to contract a financing agreement for construction of this project and secure contracts with construction contractors and therefore the total cost required for completion of this project is not final as of this date. However, based on Company experience with similar projects in this area, the Company expects the gross margin for this project to	is expected to start in the third quarter of 2016 and completion is expected in the third quarter of 2017.	

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
								be 29.2% or higher.		
6.	Edge	Edge is a mixed-use project consisting of rental and development portions. The project consists of two towers of 21 and 22 stories built on top of a 7 story podium with a total above grade buildable area of 690,678 sqft, consisting of 666 residential units, of which 579 residential units with a total saleable area of 317,734 sqft to be the development portion of this project, which would be classified as development property.	Development property. This is a mixed-use project and includes a building with condominium residential units for sale	26 Feb 2010	66.67% (Joint operation) It is noted that after June 30, 2015 (after the completion of the project), an agreement with the Company's partner in the project has come into force, which ends the partnership agreement. For further details, see section	173,219	---	10,966	Project construction was completed in May 2015.	For further details, see section 7.8.6.1 below.

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
					7.7.6.1 below.					
7.	Lawrence	Lawrence is a development project consisting of 88 low-rise residential units with a total saleable area of 236,478 sqft (the project has a total land area of 324,633 SF), to be classified as development property - land reserve. Project construction is expected to start in the fourth quarter of 2016. The Lawrence project has as of right development rights of 110,114 sqft and has sought municipal approval for an additional 126,000 sq/ft of buildable floor area. As of June 30, 2015, the asset company has engaged in pre-sale agreements in regards to 33 of the residential units of the project.	Land reserve	29 Aug 2013	100% (Consolidated)	52,466	---	As of the prospectus date, the Company is unable to estimate the expected gross income for this project due, *inter alia*, to the fact that construction of this project has yet to start, since the Company has yet to contract a financing agreement for construction of this project and secure contracts with construction contractors and	As of the prospectus date, the project is under planning ; construction of this project is expected to start in the fourth quarter of 2016 and	---

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
								therefore the total cost required for completion of this project is not final as of this date. However, based on Company experience with similar projects in this area, the Company expects the gross margin for this project to be 17.8% or higher.	completion is expected in the third quarter of 2017.	
8.	Mallow	Mallow is a development project consisting of 39 low-risc residential units with a total saleable area of 109,280 sqft (the project has a total land area of 134,402 SF), to be classified as development property - land reserve.	Land reserve	28 Aug 2014	100% (Consolidated)	45,404	---	Note that as of the prospectus date, the Company is unable to estimate the expected gross income for this project due, *inter alia*, to the fact that	As of the prospectus date, the project is under planning	---

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
		Project construction is expected to start in the first quarter of 2017. The Company is currently working towards zoning approval for residential housing, as the land is currently zoned for commercial usage only. As of June 30, 2015, the asset company has engaged in pre-sale agreements in regards to 17 of the residential units of the project						construction of this project has yet to start, since the Company has yet to contract a financing agreement for construction of this project and secure contracts with construction contractors and therefore the total cost required for completion of this project is not final as of this date. However, based on Company experience with similar projects in this area, the	; construction of this project is expected to start in the first quarter of 2017 and completion is expected in the first quarter of 2018.	

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
								Company expects the gross margin for this project to be 18.9% or higher.		
9.	Patricia	Patricia is a development project consisting of 39 low-rise residential units with a total saleable area of 126,690 sqft (the project has a total land area of 119,361 SF), to be classified as development property - land reserve. Project construction is expected to start in the second quarter of 2017. The Company has construction rights with an area of 71,042 sqft and is working on zoning approval for the above proposal.	Land reserve	27 Aug 2014	100% (Consolidated)	44,230	---	Note that as of the prospectus date, the Company is unable to estimate the expected gross income for this project due, *inter alia*, to the fact that marketing and construction of this project has yet to start, since the Company has yet to contract a financing agreement for construction of this	As of the prospectus date, the project is under planning; construction of this project is expected to start in the first	---

	Property name	General information about the property	Property type (based on primary use)	Land purchase date	Company's share of the property (consolidated / joint venture)	Expected revenues at 100%	Property / land value based on valuation as of June 30, 2015 (Properties classified as inventory only)	Expected gross income for the project (Dollars in thousands) at 100% (Company's share)	Project status	Section in the prospectus
								project and secure contracts with construction contractors and therefore the total cost required for completion of this project is not final as of this date. However, based on Company experience with similar projects in this area, the Company expects the gross margin for this project to be 16.1% or higher.	quarter of 2017 and completion is expected in the fourth quarter of 2017.	

* **The aforementioned information with regard to expected revenues and expected NOI constitutes forward-looking information, as the term is defined in Securities Law. This information is based on economic calculations prepared by the Company, based on current**

sale prices of units already sold and the expected sales rate for the project, based on the Company's past experience with these and other projects, and in accordance with buildings plans and planning outline as of today. Company estimates may fail to materialize in case of any material deterioration in sale prices of apartments compared to the prices used as basis for the forecasts and/or should the sales rate of project apartments be significantly lower than the sales rate used as basis for the aforementioned revenue forecast due, *inter alia*, to the risk factors listed in section 7.17 below.

** The aforementioned information with regard to expected gross margin constitutes forward-looking information, as the term is defined in Securities Law. This information is based on economic calculations prepared by the Company, based on current sale prices of units already sold, the expected sales rate and expected cost for completion of the project, based on the Company's past experience with these and other projects. Company estimates may fail to materialize in case of any material deterioration in sale prices of apartments compared to the prices used as basis for the forecasts and/or should the sales rate of project apartments be significantly lower than the sales rate used as basis for the aforementioned revenue forecast and/or should the actual cost be higher than the cost currently anticipated by the Company due, inter alia, to the risk factors listed in section 7.17 below.

7.2 Company's operating segments

As of December 31, 2014, as of June 30, 2015 and as of the prospectus date, the Company was engaged in three major operating segments, as follows:

(a) Development of real estate for sale in Toronto, Canada – Development, construction and sale of properties primarily designed for residential and/or commercial use (hereinafter: "the **development property segment**").

(b) Investment property in Toronto, Canada – purchasing, holding and improvement of real estate, including land, as well as purchasing and operation of rental property (hereinafter: "the **investment property segment**").

(c) GeoThermal Operating in Toronto, Canada – the Company owns geothermal assets at the Edge, Curve, Bridge and Fuzion[26] projects (hereinafter: "the **GeoThermal Operating Segment**").

For more information about these operating segments, see sections 7.7, 7.8 and 7.9 below.

7.3 Investments in corporation's capital and transactions in shares thereof since inception

Below is information about investments in Company capital and allocation of securities by the Company from January 1, 2012 through soon prior to publication of this prospectus:

Investment type	Investors	Investment date	Number of ordinary shares	Consideration received (Dollars in thousands)
Shares issued to controlling shareholder upon incorporation of the Company	Urbancorp Holdco Inc., a corporation fully controlled bySaskin[27]	June 19, 2015	100	0.1

7.4 Dividend distribution

[26] Fuzion is a development project which was held by the Company until the completion of construction and transfer of units which was completed in the January 2014, and the Geo-Thermal of it is being held by the Company (indirectly).

[27] Saskin in entitled to 100% of voting rights in that corporation.

7.4.1 As of the prospectus date, the Company has not adopted a dividend distribution policy.

7.4.2 The Deed of Trust for debentures (Series A) stipulates restrictions with regard to dividend distribution – for more information see section 5.5 of the Deed of Trust, enclosed as Appendix I to Chapter 2 of the prospectus.

7.4.3 For the provisions of Ontario Law regarding distributions see section 5.4.3.B. it is noted that in general, there are no limitations of funds transferring between the subsidiaries of the Company and the Company.

7.4.4 Two years prior to the date of the prospectus, the Company did not distribute dividends. However, it should be noted that the Company is an independent legal entity, which was established on June 19, 2015, for the purpose of raising capital in Israel through the issue of bonds under this Prospectus. It should be noted that the two years prior to the date of the prospectus (ie, starting from January 1, 2013) the "transferred corporations" did not distribute dividends to Rights Holders, including by way of return of capital, in the ordinary course of these corporations.

7.4.5 After the balance sheet date and through the prospectus date, the property companies did not distribute dividends to Rights Holders.

7.5 Financial information with regard to the corporation's operating segments

Below is financial information (in CAD thousands) for 2012, 2013 and 2014 for the six months ended June 30, 2014 and 2015, based on the Company's consolidated pro-forma financial statements[28]:

Investment property segment:

	For the six months ended June 30,		For the year ended December 31,		
	2015	2014	2014	2013	2012
Revenues from external parties	249	213	466	115	0
Total revenues	249	213	466	115	0
Fixed cost attributed to the operating segment	(142)	(55)	(203)	(35)	0
Variable cost attributed to the operating segment	0	0	0	0	0
Total cost which does not constitute revenues of another operating segment	(142)	(55)	(203)	(35)	0
profit from appreciation of investment property	(1,839)	(3,783)	(961)	1,082	2,106
Financing expenses	0	0	0	0	0
profit (loss) attributable to equity holders of the Company	(1,732)	(3,625)	(698)	1,162	2,106
profit (loss) attributable to non-controlling interest	0	0	0	0	0
Total assets (as of the last day of the period)	134,021	99,891	112,705	75,123	42,523
Total liabilities (as of the last day of the period)	84,089	64,388	68,943	39,423	18,890

28 For explanation of developments in these items, see chapter "Board of Directors Report".

Development property segment:

	For the six months ended June 30,		For the year ended December 31,		
	2015	2014	2014	2013	2012
Revenues from external parties	69,450	5,737	82,774	63,738	34,142
Total revenues	69,450	5,737	82,774	63,738	34,142
Fixed cost attributed to the operating segment	0	0	0	0	0
Variable cost attributed to the operating segment	(66,633)	(4,780)	(80,761)	(64,049)	(33,773)
Total cost which does not constitute revenues of another operating segment	(66,633)	(4,780)	(80,761)	(64,049)	(33,773)
profit from normal activity	2,817	957	2,013	(311)	369
Sales and Marketing	(5,794)	(542)	(6,038)	(7,417)	(4,949)
General and Administrative Expenses	(426)	(686)	(1,351)	(788)	(629)
Financial Income	1,311	666	577	2,742	6,718
Financial expenses	(1,334)	(715)	(1,038)	(3,053)	(8,607)
profit (loss) attributable to equity holders of the Company	(3,426)	(320)	(5,836)	(8,828)	(7,098)
profit (loss) attributable to non-controlling interest	0	0	0	0	0
Total assets (as of the last day of the period)	195,885	222,968	233,573	279,353	292,299
Total liabilities (as of the last day of the period)	185,499	193,143	226,901	251,851	305,627

GeoThermal Operating Segment:

	For the six months ended June 30,		For the year ended December 31,		
	2015	2014	2014	2013	2012
Revenues from external parties	730	199	835	472	405
Total revenues	730	199	835	472	405
Fixed cost attributed to the operating segment	(331)	(273)	(577)	(125)	(577)

Variable cost attributed to the operating segment	0	0	0	0	0
Total cost which does not constitute revenues of another operating segment	(331)	(273)	(577)	(467)	(316)
profit from normal activity	399	(74)	258	5	101
Financing expenses	0	0	0	0	0
profit (loss) attributable to equity holders of the Company	399	(74)	258	5	101
profit (loss) attributable to non-controlling interest	0	0	0	0	0
Total assets (as of the last day of the period)	58,145	56,735	48,489	38,354	41,201
Total liabilities (as of the last day of the period)	4,693	6,698	8,382	7,983	7,753

For more financial information, see the Company's financial statements as of December 31, 2014 and as of June 30, 2015.

7.6 General environment and impact of external factors on corporate operations

Below are estimates by the Company with regard to trends, events and developments in the Company's macro-economic environment which, as of the prospectus date, have or are expected to have material impact on business results or developments in the Company's operating segments and, consequently, impact on the Company.

7.6.1 Overview

Canada's economy is ranked among the largest, most robust world economies and remains one of the few countries in the world with an AAA credit rating with stable outlook[29]. Canada's economy has maintained a moderate growth trajectory since the global credit crisis, which culminated in March 2009. In 2015, growth is expected to be slower due to lower oil prices - which should impact per capita GDP and investment[30]. Canada's unemployment rate in 2014 was at 6.92%, better by 1.5% over the previous year; the inflation rate in 2014 was 1.936% - at the low end of the target range specified by Canada's central bank of 1%-3%.

Canada's major industrial sectors are: (a) services - account for two thirds of GDP and for 75% of employment in Canada, primarily in finance, insurance and real estate. (b) Energy - Canada is becoming an oil superpower, with the world's third largest oil reserves, sixth in the world in oil production, third in the world in natural gas production and second in production of Uranium. Furthermore, Canada is the primary energy supplier of the USA. (c) Automotive - Canada is the world's 16th largest automotive manufacturer - primarily for export. (4) Forestry and timber - Canada's forests account for 10% of world forests and support a strong, stable timber industry which accounts for a significant portion of GDP in Canada's economy[31].

7.6.2 Macro-economic overview - Toronto, Canada

Toronto is the largest city in Canada, capital of Ontario province and the 4th largest in North America. The population of the Greater Toronto Area ("GTA") is 6.4 million, forecasted to grow to 8.9 million in 2036 due to both natural growth and larger immigration. The larger immigration is due to Canada's lenient immigration policy, which allows for immigration of individuals of means or those with desirable professions.

Toronto is Canada's economic capital and home to headquarters of the top 5 banks in Canada, production facilities of leading auto manufacturers such as Ford, as well as industrial facilities for production of oil products. Consequently, unemployment in Toronto

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[29] http://www.tradingeconomics.com/canada/rating

[30] OECD – Canada Economic Forecast Summary -http://www.oecd.org/economy/canada-economic-forecast-summary.htm

[31] Ministry of Industry, Trade and Labor, Canada - Economic Review: http://www.moital.gov.il/NR/rdonlyres/F8E41EE4-0DAB-4BEC-88E3-EDD1B3C71DA4/0/canada_2010.pdf

has trended constantly lower since the 2009 crisis and as of the prospectus date, unemployment was at 7.3%.

7.6.3 Residential market in Toronto, Canada

The residential market in Toronto consists of two major segments: (a) houses (including townhomes); and (b) condominiums. In 2005, a decision was made by the Ontario Province Local Council to create a Green Belt to restrict expansion of construction in the GTA, designed to protect green space, farmland, forests and waterfalls in Eastern Ontario (hereinafter: "the construction restriction"). A side effect of the construction restriction in recent years was stronger demand for construction of high-rise condominiums due to a lower inventory of land for construction, resulting in higher land prices for construction of houses[32]; in 2014, apartment prices increased by 8.2% year-over-year and are expected to increase by 5% in 2015[33].

Expected construction starts of houses in 2015 is at 36,000 residential units and this pace is expected to slow in 2016. As for construction of condominiums, in 2015 there were 54;000 residential units under construction with the annual construction completion rate at 14,000. This figure is expected to increase in coming years[34].

7.6.4 Rental market in Toronto, Canada

Real estate prices increase, especially of townhouses in 2014 and continuing trend during 2015, coinciding with the increase in number of residential units under construction (opposed to the slowdown in the construction of houses) as mentioned above, reflected in the rental real estate market in Toronto, as an increase in the number of lease transactions of both apartments and townhouses in comparison to a minor increase in rental prices for apartments and increase of over 2% in rental prices of townhouses.

The following table presents details on the number of rental transactions reported and average rent of apartments and townhouses in Toronto:

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[32] http://www.cmhc-schl.gc.ca/odpub/esub/64319/64319_2014_B02.pdf
[33] http://www.occ.ca/advocacy/ontario-economic-outlook-2015/toronto/
[34] See footnote 9.

Rental Market Summary: Third Quarter 2015

Apartments[1,2,3]

	All Bedroom Types		Bachelor		One-Bedroom		Two-Bedroom		Three-Bedroom	
	Listed	Leased	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent
Q3 2015	14,673	9,635	324	$1,375	5,488	$1,057	3,614	$2,241	209	$2,693
Q3 2014	12,108	7,859	230	$1,379	4,401	$1,626	3,064	$2,193	184	$2,722
Yr./Yr. % Chg.	21.2%	22.6%	40.9%	-0.3%	24.7%	1.9%	18.0%	2.2%	27.4%	-1.1%

Townhouses[1,2,3]

	All Bedroom Types		Bachelor		One-Bedroom		Two-Bedroom		Three-Bedroom	
	Listed	Leased	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent
Q3 2015	1,034	578	3	$1,292	66	$1,478	175	$1,869	335	$2,066
Q3 2014	953	481	2	$1,275	42	$1,424	168	$1,808	269	$2,066
Yr./Yr. % Chg.	8.5%	20.2%	50.0%	1.3%	54.8%	3.8%	4.2%	3.4%	24.5%	0.0%

7.6.5 Geothermal Systems Market OverviewGeothermal Heat Pump (The "**geothermal system**"), is an integrated system that provides heating and cooling to the building in which it is installed, integrating green technologies that produces energy using the existing energy in the ground. For further information about the geothermal system, assembles and how it works, see section 7.9.1 below.

Although the cost of installing a geothermal system is higher than the cost of installation of the heating and cooling system based electricity or coal, the cost of consumption is significantly lower and therefore more cost effective over time.

Following are details on the efficient use of geothermal energy compared with other energy sources:

Levelized Cost of Energy ($/MWh)

TECHNO-ECONOMIC ANALYSIS	HIGH CASE	BASE CASE	LOW CASE	MIN	DIFF
Solar PV (Crystalline)	$201	$153	$119	$119	$82
Solar PV (Thin Film)	$189	$140	$110	$110	$71
Fuel Cell DG	$117	$90	$72	$72	$46
Solar Thermal	$126	$90	$69	$69	$57
Coal	$66	$55	$46	$46	$19
Natural Gas (CCGT)	$64	$52	$40	$40	$25
Nuclear	$64	$62	$35	$35	$29
Wind	$61	$43	$29	$29	$32
Geothermal	$59	$36	$22	$22	$38
Efficiency	$30	$15	$0	$0	$30

As specified in the table, the cost of using geothermal energy consumption estimated between 22 to 59 CAD (per MWh), whereas consumption through solar energy or through

fuel-cost estimated to be between 72 to 117 CAD and 110 to 180 CAD (per MWh), respectively.

7.7 Investment property segment

7.7.1 General information about the operating segment

7.7.1.1 Operating segment structure and changes there in

As noted above, the Group is engaged in the residential and commercial rental property segment in Toronto, Canada. The Company's properties in this operating segment are residential houses, condominiums and commercial space. In this operating segment the Company, as owner of residential apartments in Toronto, Canada is engaged and will be engaged in leasing of residential apartments as well as in purchase, improvement, development, management and operation of such apartments. The Company typically owns[35] most of the residential rental properties (including land for investment and rental property under construction) jointly with partners (joint ventures - see Note 2.k to the financial statements as of December 31, 2014).

7.7.1.2 Geographic regions

As of the prospectus date, the Group operates in the investment property operating segment in Toronto, Ontario in Canada.

7.7.1.3 Developments in markets of the operating segment

Development of the rental property market in Toronto is connected to developments in Canada's economy. For more information see section 7.6 above.

7.7.1.4 Tenant mix

The rental property operations consist of buildings leased for residential, office and commercial use. Tenants in rental properties for office and commercial use owned by the Group are "tenants at will" whose rent and terms of their lease agreements are entirely negotiated with Urbancorp Group. The relationship between residential tenants and landlords are subject to provisions of the Residential Tenancies Act, which impose obligations on landlords - for highlights see sub-section i. below. Residential tenant mix is subject to a range of demographics, but is predominantly working professionals and young families.

7.7.1.5 Competitive layout in operating segment and changes there in

Urbancorp provides a range of rental unit types, layouts and sizes (including individual units, and two and three bedroom units). Urbancorp Group is among the 10 most active

[35] Through corporations ultimately entirely owned thereby.

residential developers in Toronto. For the rental property segment, competition is primarily about rent, property quality, proximity to commercial centers and to transportation, quality of existing services and facilities and other commercial terms of the lease. Therefore, with regard to on-going rental operations of residential units, the identity of the tenants has little to no effect on Company revenues - since tenant decisions are typically ad-hoc decisions with regard to the specific property.

7.7.1.6 Critical success factors in operating segment

The Company believes the key critical success factors in the investment property segment to be:

(1) Geographic focus of properties in Toronto;
(2) Access to financing sources;
(3) Co-operation with reputable, knowledgeable partners;
(4) Locating profitable transactions and business opportunities in the market, combined with a capacity for quick response;
(5) Financial robustness to allow for investment of the required equity;
(6) Experienced staff in real estate operations;

7.7.1.7 Main barriers to entry to and exit from the operating segment

Entry barriers

(1) Need for knowledge, experience and expertise in real estate in Canada in general and specifically in Toronto;

(2) Capacity to raise financing;

Exit barriers

Realizing real estate – Exiting the investment property market requires the capacity to realize rental properties and is subject to supply and demand on the market at any time and depending on restrictions which may be imposed by financing agreements.

7.7.1.8 Alternatives for Company operations

The main alternative to renting apartments and commercial space is direct ownership of property by tenants or merchants, as the case may be.

7.7.1.9 Restrictions, legislation, standards and special constraints applicable to operating segment

Company operations in the rental property segment in Ontario Province are subject to a number of restrictions associated with landlord - tenant relations, which are widely

protected in the portion of properties leased for residential use and, to a lesser degree, in properties leased for office and commercial use.

Once the property has been tenanted, relations between the parties are governed by the Residential Tenancies Act. Tenants are required to maintain the leasehold in good order, to repair certain faults and to preserve the property's environment in good order. Tenants are required to pay their rent in full when due and to avoid any illegal activity in the property, any disturbance to neighbors or causing any safety risk in the leasehold environment. For buildings constructed prior to 1991, landlords are only entitled to raise the rent only as prescribed the Landlord/Tenant governance board (by 1.6% in 2015) and, subject to "good conduct" as noted above, tenants may continue to occupy the property. Landlords of buildings constructed after 1991 are no restricted in how much they can raise rent on an annual basis. At the date of the Prospectus, the company owns no buildings that were built before 1991 and has rate restriction as noted.

Tenants may sub-lease the leasehold interest to another tenant, subject to the same terms and conditions listed in the lease agreement and subject to consent of the landlord. The landlord must exercise reasonable judgment and may only refuse to accept a tenant if there is "reasonable ground" for such refusal. In such case, the primary tenant continues to owe their duties to the landlord and would be liable for any damage caused to the apartment by the sub-tenant.

7.7.1.10 Rezoning of Land and Construction in Toronto

Rezoning applications in the City of Toronto are subject to the City of Toronto's Streamlined Application Review (STAR) process. Depending on the degree of complexity of the rezoning application, the City of Toronto mandates a target timeline. Complex applications are mandated to be completed within 9 months, Routine applications within 4 months and Quick applications within 3 months. While the City of Toronto targets the timeframes described much of the timing depends on the applicant's ability to meet the submission requirements in City of Toronto's recommended timeframes for submission. Where the applicant meets the application requirements in the mandated timeframe, the City of Toronto does not delay rezoning applications and most rezonings meet the mandated time schedule. Accordingly, the Company is able to predict the rezoning process schedule with a great deal of certainty.

With respect to the Company is able to predict timeframes for construction completion with a high degree of certainty. Timeframes for meeting certain construction milestones are well established in the construction industry. Toronto is the largest construction market in Canada and one of the largest in North America. The supply of construction labour and materials is consistent and has not historically been subject to disruptions.

In general and in most cases, there are no significant delays in completing projects due to delays on the City of Toronto's part in approving rezoning or a result of a shortage of in

construction labor and / or materials on the market. In light of the nature of rezoning process in Toronto and based on past experience of the Company, the Company estimates that no significant delays are expected In terms of rezoning and/or construction, if any.

7.7.2 Summary of operating segment results

Below is a summary of financial results of the operating segment for the three-year period ended December 31, 2014 and for the six-month periods ended June 30, 2014 and June 30, 2015:

Parameter	For the six months ended June 30,		For the year ended		
	2015	2014	December 31, 2014	December 31, 2013	December 31, 2012
	CAD in thousands				
Total revenues for operating segment (consolidated)	249	213	466	115	0
Revaluation gain / loss (consolidated)	(1,839)	(3,783)	(961)	1,082	2,106
Same-property NOI (consolidated)	166	---	170	---	---
Same-property NOI (Company's share)	166	---	170	---	---
Total NOI (consolidated)	107	158	263	80	---
Total NOI (Company's share)	114 *	158	263	80	---

* In the period of six months ended in June 30, 2015, the construction of the project known as Edge was completed. Since in the said period not all residential units were leased, the rental income of the project was lower than the expenses of the project.

Since as of June 30, 2015, Company's share in the project was 66.67%, Total NOI (Company's share) is larger than the Total NOI (consolidated), whereas the latter includes the decrease in NOI in the said project.

7.7.3 Geographic regions

Below are economic parameters for the geographic region in which the Group operates (Canada):

Macro-economic parameters:[36]	For the year ended		
	December 31, 2014	December 31, 2013	December 31, 2012
GDP (PPP) (USD in billions)	1,578.92	1,518.41	1,466.47
Per capita GDP (USD) (PPP)	45,982	44,518	43,253
GDP growth rate (PPP)	3.98%	3.52%	3.55%
Per capita GDP growth rate (PPP)	2.93%	2.35%	2.35%
Inflation rate	1.94%	0.96%	1.52%
Yield on local long-term government debt[37]	2.2%	2.3%	1.9%
Rating of long-term government debt at end of year	AAA	AAA	AAA
Exchange rate of local currency to CAD at end of year[38]	3.359	3.264	3.749

[36] http://www.imf.org Data is USD.

[37] Government yield bond for 10 year period http://www.oecd-ilibrary.org/economics/oecd-economic-outlook-volume-2015-issue-1/financial-indicators-canada_eco_outlook-v2015-1-table49-en

[38] Obtained from the Bank of Israel website at: http://www.boi.org.il/he/Markets/ExchangeRates/Pages/Default.aspx..

7.7.4 Company operations in the rental property segment - composition for the operating segment

7.7.4.1 Aggregate table for residential rental property segment*

		As of June 30, 2015	For the year ended December 31		
			2014	2013	2012
		Residential rental property in Canada (CAD in thousands)			
Composition of rental property area in square feet	–	68,758	19,555	18,115	4,955
Value of rental property (consolidated)	Consolidated	131,548	104,423	66,592	37,930
	Company's share	75,713	59,673	39,294	21,929
NOI	Consolidated	107	263	80	---
	Company's share	107	263	80	---
Revaluation gain / loss	Consolidated	1,213	(976)	853	2,106
	Company's share	705	(1,160)	443	1,350
Average occupancy rate	Consolidated	57%	93%	89%	33%
	Company's share	75.4%	100%	100%	100%
Number of rental buildings	Consolidated	4	3	3	2
	Company's share	76.2%	100%	100%	100%
Actual average net yield	Consolidated	0.33%	2.98%	0.98%	0%
	Company's share	0.47%	2.98%	0.98%	0%

7.7.4.2 Aggregate table for commercial rental property segment*

	As of June 30, 2015	For the year ended December 31		
		2014	2013	2012
	Commercial rental property in Canada (CAD in thousands)			

Composition of rental property area in square feet	--	38,954	0	0	0
Value of rental property (consolidated)	**Consolidated**	1,591	0	0	0
	Company's share	1,061	0	0	0
NOI	**Consolidated**	0	0	0	0
	Company's share	0	0	0	0
Revaluation gain / loss	**Consolidated**	0	0	0	0
	Company's share	0	0	0	0
Average occupancy rate	**Consolidated**	—	---	---	---
	Company's share	---	---	---	---
Number of rental buildings	**Consolidated**	1	0	0	0
	Company's share	1	0	0	0
Actual average yield	**Consolidated**	---	---	---	---
	Company's share	---	---	---	---

* The company has no rental offices complete as of June 30, 2015. As of June 30, 2015, and the date of the prospectus, the Construction of office space in the Edge development is complete and the Company waits for zoning approval of the said space as office space, which after obtaining such zoning, the Company will lease it. For further details, see section 7.7.6.1 below.

7.7.4.2.1 Expected revenues with respect to signed leases

Most of the leases signed with residential tenants are for one-year terms.

7.7.4.2.2 Major lessees (aggregate)

As of December 31, 2014 and as of June 30, 2015 and as of the date of this prospectus, the Company had no major lessees.

7.7.4.2.3 Rental property under construction (aggregate)

Area	Variables	For the six months ended June 30,		For the year ended December 31,		
		2015	2014	2014	2013	2012
Toronto Residential	Number of properties under construction at year end (#)	1	2	2	2	2
	Total area under construction (planned) at year end (square feet in thousands)	330	377	377	377	377
	Total investment in the current year (consolidated) (in commercial currency)	13,995	13,424	14,581	7,147	3,440
	Carrying amount of properties on year-end (consolidated) financial statements (in commercial currency)	42,156	27,339	35,208	20,627	13,480
	Construction budget in subsequent year (estimated) (consolidated) (in commercial currency)	9,516	9,670	10,447	8,219	8,263
	Total estimated construction budget to complete construction work (consolidated) (estimate as of end of year) (in commercial currency)	34,965	41,908	38,620	51,297	45,124
	Percentage of property area for which leases have been signed (%)	0%	0%	0%	0%	0%
	Expected annual revenue from projects to be completed in the subsequent year, where contracts have been signed for 50% or more of their area (consolidated) (estimated) (in commercial currency)	0	0	0	0	0
Toronto Office	Number of properties under construction at year end (#)	0	1	1	1	1
	Total area under construction (planned) at year end (square feet in thousands)	0	39	39	39	39
	Total investment in the current year (consolidated) (in commercial currency)	0	370	581	447	552
	Carrying amount of properties on year-end (consolidated) financial statements (in commercial currency)	0	1,154	1,550	969	522

	Construction budget in subsequent year (estimated) (consolidated) (in commercial currency)	0	254	154	254	510
	Total estimated construction budget to complete construction work (consolidated) (estimate as of end of year) (in commercial currency)	0	254	154	244	414
	Percentage of property area for which leases have been signed (%)	0%	0%	0%	0%	0%
	Expected annual revenue from projects to be completed in the subsequent year, where contracts have been signed for 50% or more of their area (consolidated) (estimated) (in commercial currency)	---	---	---	---	---
Toronto Commercial	Number of properties under construction at year end (#)	1	2	2	2	2
	Total area under construction (planned) at year end (square feet in thousands)	157	161	161	161	161
	Total investment in the current year (consolidated) (in commercial currency)	8,301	9,578	10,123	4,168	4,193
	Carrying amount of properties on year-end (consolidated) financial statements (in commercial currency)	27,498	18,014	23,348	13,224	9,056
	Construction budget in subsequent year (estimated) (consolidated) (in commercial currency)	7,764	6,944	7,951	5,760	4,846
	Total estimated construction budget to complete construction work (consolidated) (estimate as of end of year) (in commercial currency)	28,787	33,841	31,579	40,948	35,277
	Percentage of property area for which leases have been signed (%)	0%	0%	0%	0%	0%
	Expected annual revenue from projects to be completed in the subsequent year, where contracts have been signed for 50% or more of their area (consolidated) (estimated) (in commercial currency)	---	---	---	---	---

7.7.4.2.4 Lands Classified as Real Estate for Investment (Aggregate), by Area

Area	Variables		June 30, 2015	December 31st, 2014	December 31st, 2013
Toronto	The sum at which the lands are presented in the financial statements at the end of the year (consolidated) (in thousands CAD)		16,691	13,842	9,883
	The total area of lands at the end of the year (in thousands of SF)		70	70	70
	The total building rights in the lands, according to the approved plans, by use (in thousands of SF)	Residential	378	374	349
		Offices	179	179	179
		Commercial	257	257	257

7.7.4.2.5 Purchase and sale of properties (aggregate)

Area		Variables	For the six months ended June 30,		For the year ended December 31		
			2015	2014	2014	2013	2012
Toronto	Properties purchased	Number of properties purchased in the period (#)	0	0	0	0	0
		Cost of properties purchased in the period (consolidated) (in commercial currency)	---	---	---	---	---
		NOI for properties purchased (consolidated) (in commercial currency)	---	---	---	---	---
		Area of properties acquired during the period (consolidated) (square feet in thousands)	---	---	---	---	---
	Properties sold	Number of properties purchased in the period (#)	0	0	0	0	0
		Cost of properties purchased in the period (consolidated) (in commercial currency)	---	---	---	---	---
		NOI for properties purchased (consolidated) (in commercial currency)	---	---	---	---	---
		Area of properties acquired during the period (consolidated) (sqft in thousands)	---	---	---	---	---

7.7.5 **Required adjustments at Company level**

7.7.5.1.1 Adjustment of fair value to values on statement of financial position

All real estate properties of Group investees are presented at fair value, based on valuations prepared by independent valuators.

7.7.5.1.2 Adjustments to FFO (Funds From Operations) (pro-forma)[39]

	FFO			
	For the six months ended June 30, 2015	For the year ended December 31		
		2014	2013	2012
	CAD in thousands, consolidated Un-audited			
Net profit	1,972	1,058	21,351	(1,419)
Adjustments: In conformity with provisions of Addendum IV to Securities Regulations (Details, Structure and Form of Prospectus and Draft Prospectus), 1969				
Revaluation of investment property, net	388	(1,586)	26	1,321
Amortization of Capital Assets	998	2,414	1,851	1,350
JV Exit Revaluation	0	0	(28,400)	0
Disposition of asset	(1,499)	(68)	(240)	(1,627)
Nominal FFO pursuant to provisions of Addendum IV to Securities Regulations (Details, Structure and Form of Prospectus and Draft Prospectus), 1969*	1,859	1,818	(5,412)	(374)
Nominal FFO according to management's approach	1,859	1,818	(5,412)	(374)
* **FFO is not a financial benchmark based on generally accepted accounting principles; this benchmark is calculated based on ISA directives; the**				

[39] Assuming the services agreement described in section 9.2.2 of the prospectus had been in effect in the aforementioned reported periods, the Company's pro-forma FFO would have decreased by CAD 1,500 thousand per year.

benchmark is the net accounting profit for the period, net of non-recurring revenues and expenses (including gain / loss from property revaluation), sale of properties, depreciation and amortization as well as other types of gain; this benchmark is typically used to evaluate the performance of rental property companies; the required adjustments to accounting profit are listed in this table.

7.7.6 **Highly material properties**

7.7.6.1 Edge (rental property)

a. Property overview

(Data for 100%; Company's share of this property as of June 30, 2015 – 66.67%)	Details as of June 30, 2015
Project's name:	Edge
Location of the project:	Toronto, Canada
Floor area by use; if there is a material change in the area – the data will be given for the last three years	87 housing units. As of June 30, 2015 39 of the units are leased.
Structure of the holding in the property (description of holdings by investee companies, percentage holdings therein and their holdings in the property)	As of June 30, 2015 the Company owns a 66.67% interest in the property through subsidiaries, as follows: The Company wholly owns (100%) Urbancorp Cumberland 2 LP which wholly owns (100%) Bosvest Inc. which owns 66.67% of Edge Residential Inc., which wholly owns 100% of rights in the property as nominee and bare trustee (hereinafter in this section: "the **property company**").
The Company's effective share of the property (if the property is held by an investee – the Company's share in the investee is multiplied by the investee's share in the property)	66.67%
Names of the partners in the property (if the partners hold more than 25% of the interests in the property or if the partners are related parties)	Plaza, 994697 Ontario Inc. (33.33%)
Date of acquisition of the property:	February 26, 2010. The construction was completed in May 2015.
Details of legal rights in the property (ownership, lease, etc.)	Ownership
State of registration of legal rights:	Ownership
Significant unused building rights	---
Special issues (material building deviations, land pollutions, etc.)	---
Method of presentation in the financial statements [full consolidation/equity method/joint operation]:	Joint Operation

Additional information:

Property partnership agreement

In 2010, Bosvest Inc., a company ultimately wholly-owned (100%) by the Company, contracted a partnership agreement (hereinafter in this section: "the **Partnership Agreement**") with a third party (hereinafter in this section: "the **Partner**"), whereby the Company would hold a 66.67% interest in the property and the partner would hold a 33.33% interest in the property, through a property company (as defined above).

In accordance with the Partnership Agreement, the Partner and the Company have built on a land purchased in 2010, a mixed project which includes income producing and development parts. The project consists of two towers of 21 and 22 stories built on top of a 7 story podium with a total above grade buildable floor area of 690,678 sqft, consisting of 666 residential units, of which 579 residential units with a total

saleable floor area of 317,734 sqft to be the development portion of the project, and of which 87 residential units with a total leaseable floor area of 46,824 sqft to be the rental portion of the project.

On June 22, 2015, the Company has entered into an agreement with the Partner terminating the Partnership Agreement, providing that the rental residential units in the project (rental property) are to be divided between the partners such that after such closing of such agreement (July 1st, 2015), the Company owns 53 residential units in the project and the partner owns 24 residential units.[40]

As of June 30, 2015, the office space of 38,954 sqft is vacant. As of June 30, 2015, and the date of the prospectus, the Construction of office space in the Edge development is complete and the Company waits for zoning approval of the said space as office space, which after obtaining such zoning, the Company will lease it.

b. Key data (CAD in thousands)

(Data for 100%; Company's share of this property – 66.67%)	30.06.2015	2014	2013	2012		On the date of acquisition of the property
Fair value at year end (CAD thousands)	10,310 *	---	---	---	Cost of acquisition/construction ($, thousand)	17,676
Carrying value at year end (CAD thousands)	19,810**	---	---	---	Date of acquisition	The land on which the project was built was acquired on February 26, 2010
Revaluation gains or losses (CAD thousands)	---	---	---	---	Occupancy rate (%)	---
Average occupancy rate (%)	43.7%	---	---	---	NOI (functional currency)	---
Leased space (in thousands of square Ft)	19,737	---	---	---		
Total revenue (CAD thousands)	63	---	---	---		
Average rental price per SqFt (per month/year)	2.90	---	---	---		
NOI (CAD thousands)	(21)	---	---	---		
Actual yield (%)	---	---	---	---		
Adjusted yield (%)	---	---	---	---		
Number of tenants at the end of the year (#)	39	---	---	---		
[Exchange rate]	--	--	--	--		

* As of June 30, 2015, only 39 out of 87 units for rent have been rented. Such value reflects the 39 rented units only.

[40] The remaining unites were used to repay third party contractors.

** The book value on June 30, 2015 includes inventory of land in respect of housing units that have not yet been leased.

c. Expense and revenue composition

(Data for 100%; Company's share of this property – 66.67%)	June 30, 2015	2014	2013	2012
Revenues:	(in commercial currency)			
Rental income	63	---	---	---
Total net revenues	63	---	---	---
Expenses:				
Maintenance fees	54	---	---	---
Property taxes	30	---	---	---
Total expenses:	84	---	---	---

d. Major tenants

As of June 30, 2015 and the date of the prospectus, the property is leased to a large number of tenants and the Company does not have one major tenant. As of June 30, 2015 39 of the housing units are leased.

e. Projected income from signed leases

Most of the leases signed with residential tenants are for one-year periods.

f. Specific financing (CAD in thousands)

Financing (Company's share of this property – 66.67%)			Loan A:
Balance on consolidated statement of financial position	June 30, 2015	Presented under short-term loans:	3,700
		Presented under long-term loans:	0
	December 31, 2014	Presented under short-term loans:	3,900
		Presented under long-term loans:	0
	December 31, 2013 (in presentation currency)	Presented under short-term loans:	3,900
		Presented under long-term loans:	0
Fair value as of June 30, 2015 (in presentation currency)			3,900
Original loan amount (in commercial currency)*			3,000
Original loan origination date			01-Jun-2014
Actual (effective) interest rate as of June 30, 2015 (%)*			16%
Principal and interest payment schedule*			Interest only, payable monthly
Key financial covenants			None
Other key covenants [including: tenant departure,			---

property value etc.]	
Is the Company in compliance with key covenants and financial covenants as of the end of the reported period?	Yes
Is this non-recourse? [Yes/No]	No

g. Liens and legal restrictions

After the balance sheet date and as of the date of the prospectus, the Company repaid the Loan and collaterals were discharged.

The following table describes a pledge with regarding to Tarion warranty obligations with respect to the common elements and residential units being sold by the Company:

Type	Details	Amount secured by lien (consolidated) CAD in thousands June 30, 2015
Liens	Pledge of property ownership rights. Common liens in favor of Tarion's all connected, future receipts, rights and benefits, premiums, etc in favor of Aviva insurance company in respect of issuing a Commitment Letter for Tarion . For details about the Tarion see Section 7.8.1.8(b).1	1,500
	A lien on the company's ownership rights in the property	3,700

h. Details of valuations

It should be noted that, as of June 30, 2015, only 39 of the 87 units designated for rental were rented out. The accounting treatment for these units is to transfer them to Investment Producing Properties once rented, and so the figures above reflect the appraisal value, and rental income, for the 39 units only.

(Data for 100%; Company's share of this property – 66.67%)	June 30, 2015	2014	2013	2012
Valuation (in commercial currency)	10,310	0	0	0
Valuator	Janterra Real Estate Advisors			
Independent valuator?	Yes	Yes	Yes	Yes
Is there an indemnification agreement in place?	No	No	No	No
Effective date of valuation (target date for valuation)	June 30, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Valuation model (comparative / income / cost / other)	sales comparison approach			
	Key assumptions used in valuation - sales comparison approach			
Gross leasable area accounted for in the calculation (sqf)	19,737	---	---	---

Sale price per leasable sqf accounted for in the calculation (commercial currency)	568	---	---	---
Price range per leasable sqf for comparable properties accounted for (commercial currency)	430 – 622	---	---	---
Number of comparable properties (#) accounted for	13	---	---	---
For major properties accounted for in the comparison: Property name / location, identification, area	109 Ossington Ave, 90 Niagara St, 1239 Dundas St, 48 Abell St, 30 Ordnance St, 576 Front St West, 525 Adelaide St West, 111 Bathurst St	---	---	---
Net yield reflected by current NOI for the property (current NOI divided by valuation)	4.34%	---	---	---
Other key variables	---	---	---	---

7.7.6.2 Kingsclub (rental property under construction)

a. Property overview

(Data for 100%; Company's share of this property – 50%)	Details as of June 30, 2015
Name of the property:	Kingsclub
Location of the property:	Toronto, Canada
Area of the land	24,779 sqft
Property spaces planned for construction, by uses	The project is expected to consist of a residential portion with an area of 329,812 square feet, consisting of 506 residential units, 737 parking units and a commercial portion with an area of 157,205 sqft. The project consists of three inter-connected residential buildings under construction, above a 2-storey podium of commercial retail space, and 4 underground parking floors.
Structure of holding in the property (description of holding through investee companies, including percentage holding therein and their percentage holding in the property:	The Company owns a 50% interest in the property through subsidiaries, as follows: The Company wholly owns (100%) Urbancorp Cumberland 1 LP, which wholly owns (100%) of Urbancorp New King Inc., which owns 50% of Kingclub Development Inc., which owns a 100% interest in the property as nominee and bare trustee (hereinafter in this section: "the **property company**").
The Company's effective share in the property (if the property is held by an investee – the Company's holding in the investee is multiplied by the investee's share in the property)	50%
Partners in the property (if the partners hold more than five percent of the interests in the property or if the partners are related parties)	King Liberty North Corporation, which, to the best of the Company's knowledge is owned by First Capital Realty[41], owns 50% of the project (indirectly)
Date of acquisition of the land (if relevant)	November 2010
Date of commencement of construction works:	Q3 2013
Details on legal rights in the property (ownership, leasehold, etc.)	Freehold interest
Significant building rights that are expected to be unused	None
Legal rights recording status	registered
Are there financing sources for the	On August 13, 2015, the Company has

[41] Public company traded in Toronto, a part of Gazit Globe Group.

(Data for 100%; Company's share of this property – 50%)	Details as of June 30, 2015
continued construction of the property?	engaged in a loan agreement for a CAD 225 Million loan, for financing the construction of the Project.
Special issues (material building deviations, land pollution, etc.)	---
Method of Presentation on financial statements (fully consolidated / equity accounted / joint operation)	Joint operation
The execution contractor	Urbancorp Toronto Management Inc
Method of account settlement (Pauschale / Bill of quantities / other)	Bill of quantities
Details on the sale of the property	N/A

Additional information:

The project is classified in the Company's financial statements (two out of three buildings), partly as an income-producing property under construction, and partly (first building out of three buildings) as real property, which will be classified as investment property once it is rented out to tenants (hereinafter – "**the First Building**").

In December 2014, following the pre-sale of apartments in the First Building to third parties, the Company and the Partner cancelled existing sale contracts with third parties (who, as of the date of change, provided deposits in connection with the purchase, which were returned to buyers at the time of the change), as it is legally entitled to do so, pursuant to the terms of the agreements of purchase and sale with third party purchasers.

Since the Company's intends to classify the First Building as an investment property, despite the accounting classification as real estate thereof as of the date of the prospectus, in this chapter the overall project will be presented as an income-producing property under construction, as specified herein, despite its presentation in the Company's financial statements, which are attached to the prospectus. The Company plans to change the accounting classification once the First Building is rented out to tenants.

Property partnership agreement:

In 2009[42], Urbancorp New Kings Inc., a company ultimately wholly-owned (100%) by the Company, contracted a partnership agreement (hereinafter in this section: "the **Partnership Agreement**"), with King Liberty North Corporation (hereinafter in this section: "the **Partner**"), which is owned, to the best of the Company's knowledge, by First Capital Realty[43], whereby the Company transferred 50% of its holdings and pledged in favor of the partner the Company's remaining holding stake (50%) in return for a loan to the Company of CAD 2,651 thousand used to acquire land of the

[42] As been amended from time to time.

[43] Public company traded in Toronto, a part of Gazit Globe Group.

Fuzion and Kingsclub projects. In addition, the Partner provided a loan to the Property Company for the development and early construction works of the project, in the inital amount of CAD 25,000 thousands[44] (the said loans will be referred together hereinafter: "the **Acquisition and Development Loan**"). On August 13, 2015 the Partners have taken for the project a loan in the amount of CAD 225,000 thousand for the construction of the project and for the repayment of part of the Acquisition Loan (hereinafter: "the **Construction Loan**").

Development and construction of project agreements:

On July 2015 the Company, through Urbancorp New Kings Inc, and the Partner, on one hand, have engaged with the Management Company, on the other hand, in development and construction of project agreements, in which the Management Company will provide development and construction services to the project. For further detail regarding the above mentioned services which are provided by the Management Company, see section 9.2.9 to the prospectus. It is noted that the development services for the retail part of the project will be given by a subsidiary of the Partner and not by the Management Company.

Decision making in the project

Decisions with regard to on-going management of the project would be made by majority of the participants of the management committee, to be composed of four members as follows: Until full repayment of the Acquisition and Development Loan and Construction Loan, the partner would appoint 3 members and the Company would appoint one member; thereafter, each of the partners would appoint 2 members.

It should be noted that in accordance with the Partnership Agreement, up to the date of repayment of the Acquisition and Development Loan and Construction Loan, a quorum of the Management Committee will be one representative of the Partner, while after repayment of the Acquisition and Development Loan and Construction Loan, a quorum of the Management Committee will be one representative of the Partner and one representative of the Company.

Notwithstanding the foregoing, the following decisions require unanimous agreement by the Company and by the partner: Acquisition of additional land, transfer of the property to a third party, appointment of legal counsel, appointment of independent auditor, taking of Financing.

It should be noted that upon the occurrence of one of the following circumstances: (1) if one of the Partners holds less than 33% of the Property Company, or (2) if one of the Partners acts in breach of its obligations under the loan agreement in connection with the property, as the case may be, and as long as sub-section (1) or (2) as aforesaid is fulfilled, the above resolutions will be passed by the other Partner.

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[44] The said loan amount was increased from time to time, and as of June 30, 2015 the loan is outstanding in the amount of CAD 80,000 thousand. Af of the date of the prospectus, the loan is outstanding in the amount of CAD 69,900 thousand.

Separation terms

The Partnership Agreement stipulates terms for separation of the partner and the Company, as follows:

1. **Right of First Offer** - Should one of the parties wish to sell their holdings to a third party, they must first give notice of the sale to the other party and allow them to acquire first the rights offered for sale on the same terms and conditions.
2. **Buy / Sell** - At any time and if the executive board is tied on any decision, the parties may buy / sell the holdings of the other party. This would be made by delivering notice to the other party, indicating the buy / sell price, the notified party then has the right to either buy or sell at the indicated price. If no decision is made, the party so notified is deemed to sell at the indicated price.
3. **Option to buy the commercial portion of the project** - Note that pursuant to the Partnership Agreement, the partner has an option to buy the commercial portion of the project, at their sole discretion, 12 months after the first date of occupancy by a commercial tenant in any of the commercial properties in the project, by giving notice of their intention to exercise this option (hereinafter: "**notice of option exercise**"). The purchase price would be determined as follows:
   Total rent revenues with respect to the commercial portion of the project the Company entitled until giving notice of option exercise; plus expected operating revenues discounted at a 5.5% discount capitalization rate, meaning, expected rent revenues of the Company at 95% occupancy (with expected rent with respect to commercial properties yet to be occupied determined based on market rent); less the Company's share of expenses associated with operation of the commercial portion, including property maintenance cost, brokerage fees etc.
4. **Preserving the provisions of the Partnership Agreement** - Any sale of the Company's share or the partner's share to a third party is subject to consent by the third party to contract the provisions as set forth above with the Company or with the partner, as the case may be.

Earnings distribution

Provisions for earnings distribution out of the property company's cash flow are as follows (subject to limitation of the Construction Loan agreement, as specified below):

1. Financing expenses;
2. Expenses associated with project operation;
3. Expenses allowed for each of the partners or any party associated there with, based on the approved project and the development plan;
4. Fees payable to each of the partners or any party associated there with, based on the approved project and the development plan;
5. All other amounts to be distributed *pro-rata* between the partners.

Sale of interest in project residential units to a third party

On July 28, 2015, the Company, through Urbancorp New King Inc. and the partner, as the first party and Capreit Limited Partnership, a third-party not affiliated with the

Company, as the second party (hereinafter: "the **Buyer**") contracted an agreement (hereinafter: "the **Sale Agreement**") for sale of a non-specific interest in one third (1/3) of each residential unit in the project (as well as associated interest, including current leases and parking spaces with respect to said residential units) (hereinafter: "the **Sold Interest**") for consideration amounting to CAD 60,333 thousand[45]. In conjunction with the Sale Agreement, First Capital Realty provided a guarantee to secure obligations of the partner and the Company with regard to the agreement.

The Sold Interest is sold to the Buyer in conformity with provisions set forth in the Sale Agreement, such that rights[46] to all revenues, benefits and assets arising from a non-specific share (1/3) of residential units in each floor of the residential buildings (Floor-by-Floor Basis) would be assigned to the Buyer, at most once per quarter[47], upon completion of construction of each floor. Note that pursuant to the Sale Agreement, ownership interest in the parts transferred to the Buyer out of the residential buildings and parking spaces would be transferred to the Buyer 30 days after receiving the occupancy certificate for the top floors of each relevant residential building (hereinafter: "the **Date of Ownership Transfer**", as the case may be)[48]. Furthermore, the Sale Agreement stipulates that liens pursuant to loans with respect to the first building would be removed prior to transfer of ownership of residential units in the first building[49] to the Buyer, scheduled to be on December 31, 2018. Note that liens with respect to the second and third buildings would be removed prior to transfer of ownership of residential units in the second and third building, as the case may be, to the Buyer.

In conformity with the Sale Agreement, should the purchase loan be called for immediate repayment and should collateral with respect to said loan be realized, the Buyer would have the right to acquire a 50% interest in the residential buildings to be realized by First Capital Realty, for consideration equal to the higher of: 1. A price reflecting one half of the value of such interest; or 2. One half of outstanding principal and interest with respect to the Acquisition and Development Loan and Construction Loan.

Residential Units Management Agreement:

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45 The consideration is payable as set forth in the sale agreement and as follows: CAD 31,520 thousand with respect to the first building (including 227 parking spaces); CAD 19,337 thousand with respect to the second building (including 145 parking spaces); CAD 9,475 thousand with respect to the third building (including 47 parking spaces).

46 Unlike ownership in the residential units.

47 Notwithstanding the foregoing, the parties may agree to transfer assets pursuant to the sale agreement more frequently than once per quarter.

48 Note that until such time, the buyer would be eligible to receive their interest with respect to their acquired share - even though ownership has not been actually transferred.

49 Note that the sale agreement stipulates that the Company and the partner would indemnify the buyer for any expenses incurred with regard to the loans and the liens pursuant to the loans.

On July 28, 2015, the Company, through Urbancorp New King Inc., and the Partner, on the one hand, and the Buyer, on the other hand, entered into a management agreement (hereinafter: the "**Property Management Agreement**"), whereby the Buyer will provide management services to the residential units (excluding the common areas in the residential buildings as specified in the Property Management Agreement), including, inter alia, entering into agreements (including lease agreements) to manage the lease agreements of the residential units and the maintenance of the residential units etc. (hereinafter: the "**Management Services**"). In exchange for the Management Services, the Buyer shall be entitled to a monthly payment comprising of 4% of the rental income generated from the residential units.

The Buyer will deliver an annual budget to the Company and the Partner for approval, specifying the regular and capital expenses to be carried out in that year in connection with residential units.

The Property Management Agreement will become effective immediately prior to obtaining the certificate of occupancy for the initial residential floors of the project[50].

The period of the agreement is open ended, and the parties have the right to early termination, inter alia, in the following cases: 1. A breach of the Property Management Agreement after the healing period specified in the Property Management Agreement; 2. Entering a receivership or bankruptcy process; 3. An act of fraud, theft, gross negligence etc. committed by the Buyer (subject to a healing period as specified in the Property Management Agreement); 4. Assigning the Buyer's rights in accordance with the Property Management Agreement - except for an authorized transfer - without the consent of the Company and the Partner; 5. Failing to acquire the Buyer's share of the residential units on the relevant completion date (partial deviation from the Property Management Agreement of the residential units which were not purchased thereby); and 6. Transfer of residential units (in whole or in part) by either of the parties to the Property Management Agreement (with respect to the transferred share).

Decision making in accordance with the Sale Agreement:

The Sale Agreement stipulates that decisions on the following matters, among others, would be made unanimously by the Executive Committee, to be appointed upon signing the Sale Agreement and to consist of one representative of each of the Company, Partner and Buyer (three representatives altogether): 1. Changes or amendments with regard to identity of the construction contractor, construction manager or architect of the residential buildings, construction plans and service provision for the residential buildings; 2. Obtaining financing with regard to the project, other than a lien for the project construction loan; 3. Change in occupancy

[50] On the date, to the best knowledge of the parties, starting about 9 months prior to the date the said certificate of occupancy is received.

restrictions with regard to the residential buildings; 4. Transfer of rights in the residential units in the project and accompanied rights, other than transfers and transferees permitted by the Sale Agreement; 5. Setting the annual budget; 6. Expenses in excess of CAD 10 thousand, other than with respect to construction of the residential buildings; 7. Changes to the partnership agreement.

The Company and Partner have agreed orally that the decision-making mechanism in accordance with the Partnership Agreement (described above) will be applied before a decision in accordance with the Sale Agreement. i.e., when a decision must be approved unanimously, in accordance with the Partnership Agreement and in accordance with the Sale Agreement, the decision in question will be approved by the Partner and the Company in accordance with the Partnership Agreement, and thereafter approved by the management committee as set forth in the Sale Agreement (i.e., a unanimous decision of the Company, Partner and Buyer).

Future Partnership agreement:

Soon after the Date of Ownership Transfer pursuant to the Sale Agreement, as the case may be, the parties would sign a partnership agreement with respect to the residential units (hereafter: "the **Future Partnership Agreement**"); prior to said date, the Company and the partner would continue to manage the residential units as agreed thereby.

The Future Partnership Agreement stipulates that decisions on the following matters, among others, would be made unanimously by the Executive Committee, to be appointed upon signing the Sale Agreement and to consist of one representative of each of the Company, Partner and Buyer (three representatives altogether): 1. Purchase of additional assets; 2. Disposition of encumbrance of the residential units; 3. Engagement in loans agreements; 4. Approval of significant structural modification of the buildings; 5. Setting the annual budget; 6. Changes to the Future Partnership Agreement.

The Future Partnership Agreement stipulates, among others, the following terms (as further described in such agreement): major terms of future loan agreement (if taken); prohibition of transferring the rights in the residential units, except of Right of First Offer and Buy/Sell mechanisms described below and a transfer to a permitted transferee; Right of First Offer - Should one of the parties wish to sell their holdings to a third party, they must first give notice of the sale to the other party and allow them to acquire first the rights offered for sale on the same terms and conditions;

Buy / Sell - The parties may buy / sell the holdings of the other parties. This would be made by delivering notice to the other party, indicating the buy / sell price, the notified party then has the right to either buy or sell at the indicated price. If no decision is made, the party so notified is deemed to sell at the indicated price. It is noted that the Right of First Offer and Buy/Sell mechanisms come into effect just after two years of the date of engagement of the Future Partnership Agreement (in regard to the Buyer, he is also required that additional 60 days will pass from the date

of termination of the asset management agreement regarding the residential units, as described below)[51].

The Future Partnership Agreement stipulates that the earnings distribution out of the project's cash flow will be done equally to the Company, the Partner and the Buyer.

[51] It is noted that in accordance with the decision making mechanism, disposition of parties interests is subjected to parties unanimous approval, whereas, after two years of the date of engagement of the Future Partnership Agreement, a disposition is permitted subject to the above mentioned mechanisms.

b. Key data (CAD in thousands)

(Data for 100%; Company's share of this property – 50%)	June 30, 2015	2014	2013	2012
Cumulative cost at the start of the year ($, thousand)	74,969	34,452	20,172	10,385
Current cost invested during the year ($, thousand)	19,611	40,517	14,280	9,787
Total cumulative cost at the end of the year ($, thousand)	94,580	74,969	34,452	20,172
Fair value at the end of the year ($, thousand)	137,330	118,330	103,230	76,360
Carrying value at the end of the year ($, thousand)	57,578	48,340	26,810	18,742
Revaluation gains or losses ($, thousand)	568	(1,272)	(928)	(62)
In case the property is measured at cost – impairment (reversal of impairment) recognized during the year (trade currency)	4,266	4,180	13,648	11,084
Estimated date of completion (as reported at the end of each year	Q1 2018	Q1 2018	Q4 2017	Q3 2017
Estimated cost of investment (as reported at the end of each year ($, thousand)	268,068	268,068	235,985	235,985
Cost of investment not yet made (as reported at the end of each year ($, thousand)	173,488	193,099	201,533	215,813
Budget completion rate (%)	35%	28%	15%	9%
NOI from intermediate uses (trade currency)	0	0	0	0
[Exchange rate]	--	--	--	--

c. Expense and revenue composition

(Data for 100%; Company's share of this property – 50%)	June 30, 2015	2014	2013	2012
Revenues:	(in commercial currency)			
---	0	0	0	0
Total net revenues	0	0	0	0
Expenses:				
---	0	0	0	0
Total expenses:	0	0	0	0
NOI from interim uses:	0	0	0	0

d. Specific financing (CAD in thousands)

Financing (Company's share of this property – 50%)			Loan A:
Balance on consolidated statement of financial position	June 30, 2015	Presented under short-term loans:	80,000
		Presented under long-term loans:	---
	December 31, 2014	Presented under short-term loans:	57,394
		Presented under long-term loans:	---
	December 31, 2013	Presented under short-term loans:	22,299

	(in presentation currency)	Presented under long-term loans:	---
Fair value as of June 30, 2015 (in presentation currency)			80,000
Original loan amount (in commercial currency)*			80,000
Original loan origination date			April 19, 2012
Actual (effective) interest rate as of June 30, 2015 (%)*			Senior portion of CAD 36,000 thousand at 8% Junior portion of CAD 44,000 thousand at 6%
Principal and interest payment schedule*			Monthly payments of interest, the principal will be fully paid on the majority date which is the early of: (1) August 6th, 2019; (2) one year after the transfer of rights to the Buyer in the 400th residential unit of project's residential units.
Key financial covenants			None
Other key covenants [including: tenant departure, property value etc.]			Cost overrun - borrower responsible for the part that overruns
Is the Company in compliance with key covenants and financial covenants as of the end of the reported period?			Yes
Is this non-recourse? [Yes/No]			No

Borrowing corporation	Lender	Loan provision date	Original loan facility amount (CAD thousand)	Number of quarterly payments (principal)	Number of interest payments	Principal balance as of June 30, 2015 (CAD thousand)	Final maturity date	Charges/ collateral/ assignment of rent	Annual interest rate	Change of control / structural change covenant	Personal guarantee	Comments
King Liberty North Corporation and Urbancorp New Kings Inc	A group of lenders represented and organized by The Bank of Nova Scotia (administrative agent)	August 13, 2015	225,000 It should be noted that this amount will be provided to the borrowers for purposes of the project in monthly withdrawal amounts of up to $5,000,000 per month.	The borrower will repay the loan principal together with the balance of any other obligation (fees, interest, etc.) on February 13, 2018 (or on a later date, should the loan be extended).		0	February 13, 2018[52]	First charge on all the borrower's rights in the property, including the main project agreements (as defined in the loan agreement), including the construction, development, partnership and sale agreements of a part of the project, rent and future revenues.	Annual interest rate (to be determined at the time of the withdrawal of funds by the borrower pursuant to the loan agreement), in accordance with the mechanism established in the agreement. It should be noted that under the agreement, the interest rate is to be determined by the borrower (the borrower having the right to change the	Change of control is defined as the sale of 50% or more of its holding in the Guarantor Corporation or the Borrower, or the case where the asset is not held fully by King Development Inc. A permitted transfer under the loan agreement is defined, *inter alia*, as a transfer to an entity which is held by Saskin and/or a corporation controlled by him and/or his relatives.	First Capital Realty Inc, which is a partner of the Company in the project (hereinafter: "**the Guarantor Corporation**"), has guaranteed the payment of the loan amount and amounts in excess of the construction budget (cost overruns), and has also provided a performance guarantee in respect of the project's completion.	The loan in question was taken in order to finance the construction of the project (and to repay an existing loan in connection with the property, amounting to $80,000,000). In the loan agreement the borrower undertook to arrange insurance for the project (including construction insurance). In accordance with the loan agreement, the loans that were provided by the Partner, as detailed in sections 7.7.6.2.e and 7.7.6.2.f above and below (hereinafter: "**the Loans From The Partner**"), are subordinated to the loan. The agreement stipulates the usual grounds for

[52] The borrower may extend the loan by two additional periods of half a year each, subject to compliance with the terms of the loan agreement.

Borrowing corporation	Lender	Loan provision date	Original loan facility amount (CAD thousand)	Number of quarterly payments (principal)	Number of interest payments	Principal balance as of June 30, 2015 (CAD thousand)	Final maturity date	Charges/ collateral/ assignment of rent	Annual interest rate	Change of control / structural change covenant	Personal guarantee	Comments
									interest rate).[53]			demanding the immediate repayment of the debt, including the following: 1. The borrower or the guarantor have discontinued the conduct of their business or declared that they are unable to pay their debts; 2. Discontinuation of the project's construction for a period of more than 45 day. The borrower undertook to maintain minimum capital for the project in the amount of $75,000,000 (including the loans from the Partner). As of the date of the prospectus, the Borrower meets the covenant. The borrower

[53] The interest rate as stated is calculated as: 1. The higher of The Bank of Nova Scotia's base interest rate (as the term is defined in the loan agreement) or the monthly average of the average interest rate determined by Reuters plus 0.75%; plus 2. The interest rate affected (in accordance with the mechanism established in the loan agreement) by the rating of the unsecured debt of the guarantor corporation, as hereinafter defined.

Borrowing corporation	Lender	Loan provision date	Original loan facility amount (CAD thousand)	Number of quarterly payments (principal)	Number of interest payments	Principal balance as of June 30, 2015 (CAD thousand)	Final maturity date	Charges/ collateral/ assignment of rent	Annual interest rate	Change of control / structural change covenant	Personal guarantee	Comments
												undertook not to modify and/or cancel the main project agreements (as defined in the loan agreement), including the construction, development, partnership and sale agreements of a part of the project, as detailed in sections 7.7.6.2.a and 9.9.2 of the prospectus. The mechanisms for the separation of the Partners are subject to the lender's approval. The loan agreement requires the Guarantor Corporation to comply with the various financial covenants[54].To the Company's knowledge, as of the

[54] The financial covenants are as follows: 1. The Guarantor Corporation's debt to balance sheet ratio may not exceed 65%; 2. The Guarantor Corporation's secured debt to balance sheet ratio may not exceed 35%; 3. The Guarantor Corporation's EBITDA to interest expenses ratio may not exceed 1.65; 4. The EBITDA to debt ratio may not exceed 1.5; 5. Maintaining capital attributable to the shareholders of the guarantor corporation at no more than $1,500,000,000 plus 75% of the net proceeds received in each capital offering of the guarantor corporation; 6. The Guarantor Corporation' unencumbered assets to unsecured debt ratio may not exceed 1.3; 7. Total assets of the Guarantor Corporation and its wholly owned subsidiaries may not be less than 90% of the total assets of the guarantor corporation or those held by it.

Borrowing corporation	Lender	Loan provision date	Original loan facility amount (CAD thousand)	Number of quarterly payments (principal)	Number of interest payments	Principal balance as of June 30, 2015 (CAD thousand)	Final maturity date	Charges/ collateral/ assignment of rent	Annual interest rate	Change of control / structural change covenant	Personal guarantee	Comments
												date of the prospectus, the Guarantor complies with the financial covenants as stated. The company will include the abovementioned disclosure at any annual report according to applicable Law. Prohibition on dividend distribution, until the full repayment of the loan.

e. Liens and legal restrictions

Type	Details	Amount secured by lien (consolidated) CAD in thousands June 30, 2015
Liens	Pledge of property ownership rights. Common liens in favor of the lender's all connected, future receipts, rights and benefits, premiums, etc.	300,000[55]
	Pledge of property ownership rights. Common liens in favor of Tarion's all connected, future receipts, rights and benefits, premiums, etc in favor of Aviva insurance company in respect of issuing a Commitment Letter for Tarion . For details about the Tarion see Section 7.8.1.8(b).1	9,760 [56]
	A lien on the company's ownership rights in the property	2,651

f. Details of valuations

(Data for 100%; Company's share of this property – 50%)	June 30, 2015	2014	2013	2012
Valuation (in commercial currency)	137,330	117,540	103,410	74,825
Company's 50% encumbered share of valuation	43,220	36,960	21,580	12,210
Valuator	Janterra Real Estate Advisors			
Independent valuator?	Yes	Yes	Yes	Yes
Is there an indemnification agreement in place?	No	No	No	No
Effective date of valuation (target date for valuation)	June 30, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Valuation model (comparative / income / cost / other)	sales comparison approach			
Key assumptions used in valuation - sales comparison approach				
Gross leasable area accounted for in the calculation (sqf)	487,017	487,017	727,721	703,219
Sale price per leasable sqf accounted for in the calculation (commercial currency)	575 (residential) / 950 (commercial)	575 (residential) / 950 (commercial)	526 (residential) / 910 (commercial)	526 (residential) / 890 (commercial)
Price range per leasable sqf for comparable properties accounted for (commercial currency)	500-649 (residential) / 289 – 1381 (commercial)	72 – 1420 (residential) / 201 – 1205 (commercial)	98 – 1106 (commercial) / 205 – 746 (commercial)	43 – 1341 (residential) / 205 – 1087 (commercial)
Number of comparable properties (#) accounted for	16	12	13	13
For major properties accounted for in the comparison: Property name / location, identification, area	570 Bay St, 50 Portland St, 525 Richmond St, 50 Spadina Rd, 103 Avenue Rd, 295 Dufferin St, 106 Parkway Forest Drive, 25 Fisherville Rd, 2770 Aquitaine Ave	640 Bloor St West, 156 Davenport Rd, 110 Cumberland St, 1476 Queen St West, 102 Yorkville Ave, 50 Spadina Rd, 103 Avenue Rd, 295 Dufferin St, 106 Parkway	4664 Yonge St, 456 Queen St West, 970 Queen St East, 3295 Yonge St, 50 Spadina Rd, 103 Avenue Rd, 295 Dufferin St, 106 Parkway Forest Drive, 25 Fisherville Rd	319 Augusta Ave, 495 Queen St West, 568 Bloor St West, 807 Broadview Ave, 313 Eglinton Avenue West, 50 Spadina Rd, 103 Avenue Rd, 295 Dufferin St, 106 Parkway Forest Drive, 25 Fisherville Rd

[55] After the balance date a finance in the amount of CAD 225,000 thousands were given, as specified above.

[56] After the balance date a finance, on July 29, 2015, the lien was released.

		Forest Drive, 25 Fisherville Rd		
Net yield reflected by current NOI for the property (current NOI divided by valuation)	0	0	0	0
Other key variables	---	---	---	---

7.8 The Area of Development of Real Estate for Sale in Toronto

7.8.1 General Information about the Area of Activity

A. Structure of the area of activity and changes therein

The Group engages in the location, purchase, development, promotion, management, marketing and sale of residential real estate in Toronto, Canada. The Company's entrepreneurial projects are divided into projects for the construction of apartment-style condo properties, projects consisting of one to three story buildings, including stacked townhouses, townhouses, semi detached, and detached housing.

As of June 30, 2015, the Company has nine entrepreneurial projects in Toronto, Canada, in various stages of development and construction, containing 1,946 home units. Of these, 3 projects with 615 home units are in the planning stages and lands with a total area of 981,154 square feet.

During 2013 and 2014 the Company completed the promotion, execution, marketing and sale of one residential project containing 244 home units.

For details about the Company's projects in the area of activity, see section 7.1.8(b) above.

B. Description of Company's mode of operation in the area of development of real estate

The activity in the projects the Company is building is carried on through special-purpose property companies (nominee or bare trustee),[57] which are held as follows (as of June 30, 2015):

1. Two projects, and three lands, wholly owned by the Company.
2. Two projects, and two lands, held jointly with other partners under co-agreements (hereinafter, respectively: the "**Joint Companies**" and the "**Co-Agreements**").

The Co-Agreements are made between a subsidiary wholly owned by the Company (as the ultimate owner) and a third party unrelated to the Company, which in certain cases provides a loan for the project, and they determine the manner of financing, operation, profit distribution, project budget, etc. As security for the repayment of the loans to the partner, the Company records a lien on its rights in the property in favor of the partner up to the repayment of the purchase loan.

The property companies hold the rights in the real estate of the projects as trustee on behalf of the Company and/or the parties (as the case may be), and their activity is regulated in the Co-Agreements.

In addition, the Company obtains additional funding from financing entities for the development and construction of the project. In return for the grant of the project development and construction loan, the Company records a first lien on the ownership of the project's land and assets in favour of the lender.

[57] For details about the classification of the Company's projects together with partners as a joint venture, see note 2.K to the financial statements as of December 31, 2014.

In some of the projects, the property companies and/or the partners enter into an agreement with the management company, pursuant to which the latter provides the following services:

a. **Construction services** – The management company provides the partners with project construction services, including control over the project's costs, budget compliance, advice on the construction plans, management of negotiations with suppliers, supervision and management of the construction process, advice on the receipt of building permits, etc.
b. **Development and marketing services** – The management company provides the partners with development and marketing services, including inter alia advice on the required project development approvals, advice on the home marketing process, advice on the project development planning, conduct of negotiations on the terms of the home sale agreement, etc.

For further details about the services provided by the management company, see Chapter 9 below.

B.2. Management of Project Lending and Revenue Distributions in the Development segment

The project lender and a third party cost controller/quantity surveyor administers the construction financing for a project. The construction financing funds are held by the bank as a loan facility and released in intervals to the project company based on a cost accrual method, which are certified by the cost controller. The cost controller certifies to the project lender that certain costs have been incurred and that the work relating to those costs are in place.

Prior to the first advance by a project lender, the project company must provide to the project lender an irrevocable direction to the project solicitor authorizing and directing the project solicitor to pay all amounts (net of certain project costs) received on account of the final sale(s) of the residential units in the project to the project lender until such time as the project loan is repaid and all letters of credit are cash collateralized (the "**Direction**").

At the time title to units is transferred to purchasers, the balance owing by the purchaser is paid to the project company's solicitor. Pursuant to the Direction the project company's solicitor forwards the balance owing, less legal fees, taxes and real estate commissions, to the project lender. Once the project lender's loan is paid and letters of credit are cash collateralized, the project company's solicitor is free to distribute revenues to the project company or as it may further direct.

Project revenues receive fund ongoing costs of the project some which may be incurred following completion of the building (usually for 12 to 18 months following the completion). These "deferred costs" are included in the project budget, but are not funded by the project loan.

C. Geographical areas

As of the prospectus date, the Group operates in the field of entrepreneurial real estate in city of Toronto in the province of Ontario in Canada.

D. Structure of competition in the area of activity and changes therein

Due the steady increase in prices in Toronto, in recent years there has been a rise in the number of new entrepreneurial companies entering the real estate market, including companies of local investors and foreign investors, interested in the development and construction of projects in Toronto. For this reason, the Company is exposed to competition from the stage of location of the projects through their promotion and development and up to the sale of the units in the marketing stage.

E. Critical success factors in the area of activity

The Company believes that the critical success factors in the field of entrepreneurial real estate, for operations on a scope similar to that of the Group, are primarily the following:

(1) Ability to locate and execute projects at quality locations.
(2) Compliance with timetables and a high standard of construction.
(3) Ability to locate investors for the purpose of meeting project completion commitments.
(4) Ability to provide initial funding for the acquisition of rights in land.
(5) Ties with financing entities.

F. Main entry and exit barriers in the area of activity

Entry barriers

(1) Financial strength for raising the required project funding.
(2) Knowledge and experience in project planning and marketing.
(3) Reputation required for identifying opportunities.
(4) Regulatory requirements

Exit barriers

(1) Long-term commitments assumed by the entrepreneur vis-à-vis the home buyers and the financing entities.
(2) Comparatively long duration of project planning, improvement and construction.
(3) Entrepreneur's dependence on conditions in the real estate market.

G. Alternatives to the Company's activity

The main alternative to the entrepreneurial field is the lease of homes and the lease of commercial space.

H. Restrictions, legislation, standards and special constraints applicable to the area of activity

a. **Restrictions in the development and planning stage**

The Company's development and planning operations in Ontario are subject to various legislation, municipal by-laws, and policies which govern the permitted use of land and rights associated with land ownership. The major development and planning restrictions in the Company's operating segments are as follows:

1. **Provincial Policy Statement** –This statement specifies the planning interests of the Province of Ontario, which are used for making both regional and local planning decisions.
2. **The Official Plan** – This planning regime is passed by the local municipality and describes how land is intended to be used on a municipal scale. The plan addresses future intentions with respect to the zoning for residential, commercial and employment uses; the location of and need for future infrastructure and services, such as roads, sewer lines and communications, schools and public parks. In addition to the Official Plan, there are specific plans for various areas as part of the Places To Grow Act.
3. **Zoning By-Law** – Are municipal laws which regulate the specific uses and development parameters for a property. Amendments to the zoning by-law, both minor and major can be made pursuant to the Planning Act. Applications to amend the zoning by-law for a specific property can be made at any time. In the event the proposed change in zoning contradicts the Official Plan, an application to amend the Official Plan will also be required.
4. **Planning Act and the Condominium Act, 1998** – The Planning Act and Condominium Act, 1998 are two of the most important pieces of legislation with respect to the process of changing the use and the subdivision of land in Ontario. Both legislative schemes create a process for subdividing larger parcels of land into smaller parcels of land. In addition to setting out the terms and conditions for creating stratified parcels of land, the Condominium Act, 1998 provides a scheme of consumer protection concerning the sale of condominium units in Ontario. The Planning Act, is a multifaceted piece of legislation that sets out the procedure and authority for subdividing land, rezoning land, and appealing the decision of municipalities with respect thereto.
5. **Site Plan Control** – At the municipal level Site Plan Control policies govern fine details of multi-unit project development and construction (industrial, commercial or residential), including scenery design, surfacing, service areas and architectural control. The site plan control process also confirms the proposed project's compliance with the applicable zoning by-law. Where site plan control is applicable, site plan approval is required in order to obtain a construction permit.
6. **Building permit** – The right to construct any building over 10 square meters is subject to the requirement of the owner of the property to obtain a building permit from the municipality. The requirement of a building permit ensures conformity with the Ontario Building Code Act as well as applicable planning (i.e. zoning) permissions for the property. Where the

project is subject to site plan control a building permit can only be obtained after the Site Plan approval.

7. **Master plan** – Although it has no legal status, a master plan may be approved by a municipal government as an overall consent to an overarching planning outline for a large scale development project involving a number or series of phases to be constructed over the long term. A master plan is not law, but rather a guideline to be followed.

b. **Restrictions in condominium units sales phase**

Selling condominium units in Ontario, Canada requires compliance with both the Condominium Act, 1998 and its regulations (the "**Condominium Act**") and the Ontario New Home Warranties Plan Act and its regulations (the "**ONHWP Act**"). The salient restrictions of the Condominium Act and the ONHWP Act are as follows:

1. **Registration of Builder and Vendor** - Provides that a Vendor of a proposed standard condominium unit and builder cannot sell or build a home without being registered with the Tarion Warranty Corporation.
2. **Deposit Warranties** - The Condominium Act and the ONHWP Act provide warranties and protections to purchasers that ensure deposits are not released to the vendor of proposed condominium units without prescribed security being provided;
3. **Disclosure Requirements** - Any agreement of purchase and sale for a condominium unit being sold by the entity registering the condominium is not binding on a purchaser until the purchaser receives a disclosure statement containing prescribed information about important aspects of the proposed condominium, including a plan prepared by a surveyor and a budget statement for the condominium for the first year following registration of the condominium. The Condominium Act provides purchasers with a 10 day right to cancel an agreement of purchase and sale. The 10 day period begins after the purchaser has received the disclosure statement and a copy of a fully executed Agreement of Purchase and Sale.
4. **Material Change** - in the event that there is a material change to the information contained in a disclosure statement after an Agreement of Purchase and Sale becomes firm and binding, the Condominium Act requires the vendor to deliver a revised disclosure advising the purchaser of that change. A material change is defined as a change (or series of changes) that a reasonable purchaser would objectively have regarded as so important to their decision to buy that it is likely that the purchaser would not have entered into the Agreement of Purchase and Sale or would have exercised the right to rescind such Agreement of Purchase and Sale during the cooling off period, if the disclosure statement had contained the change (or series of changes). In the event of a material change, the Condominium Act provides a purchaser with a right to cancel the Agreement of Purchase and Sale within 10 days of the later of the purchaser receiving the revised disclosure statement and the purchaser becoming aware of the material change.
5. **Early Termination Conditions** - Under ONHWP numbers of restrictions were enacted with regard to provisions of purchase and sale agreements (hereinafter in this paragraph: "**the Agreement**").

Consequently, the ONHWP law determines that "Early Termination Conditions" provisions in Agreements may be possible, for the benefit of the Purchaser in case of non-compliance with provision of the Planning Act or under the conditions listed in the First Schedule of ONHWP (hereinafter: "**the Schedule**"). Therefore, the Schedule includes several conditions that a Vendor may include in the Agreement that would allow Early Termination. The conditions listed in the Schedule divided into two categories (1) conditions that cannot be canceled or waived by the parties to the Agreement; and (2) conditions which grant the Vendor the right for early termination of the Agreement. With few exceptions, the Company's Agreements include only second type, which allow early termination provisions that can be waived by the Company.

In most cases, in accordance with the provisions of the Schedule, the Company's Agreements include, provisions which allow the Company to cancel Agreements in cases of (1) no satisfactory construction financing (2) failure to meet minimum sales threshold of apartments in the project; And (3) termination of the Agreement within 60 days as the Company is not convinced that the purchaser has the necessary resources in order to complete the transaction.

c. **Restrictions which create continued commitment after delivery**

The ONHWP Act provides for a series of statutory warranties to purchasers of new homes and a condominium corporation after registration thereof:

1. **Warranty for Deficiencies in the Common Elements** – Following turnover of control of the affairs of the condominium corporation to the owners, the condominium corporation is required to complete an audit of the common elements to ensure compliance with the Ontario Building Code Act and the architectural drawings. This performance audit is completed at the end of the first, second and seventh years following turn over of control of the condominium corporation to the owners. The ONHWP Act obligates the vendor/builder to provide a 1 year warranty for materials and workmanship; a 2 year warranty for watertightness and defects in the building envelop; and a 7 year warranty for major structural defects. The respective performance audits are conducted having reference to applicable warranty in effect at that time.
2. **Warranty for Deficiencies in New Home** – The ONHWP Act also provides a series of warranties with respect to the quality of the home and the finishes provided therein. Like the warranty for the common elements, the ONHWP Act provides the purchaser with a 1 year warranty for materials and workmanship; a 2 year warranty for watertightness and defects in the building envelop; and a 7 year warranty for major structural defects in the unit. The warranty commences on the date the purchaser takes occupancy of the new home.

Below is an overview of laws applicable to the Company with regard to condominium properties

What is a condominium?

In the Province of Ontario, a condominium unit is real property that comprises the space enclosed by its boundaries and all of the land, structures, and fixtures within this space, as described and designated as a unit by a registered plan of condominium. The owners of units in a condominium are tenants in common of the common elements (i.e. common property) of that condominium corporation and an undivided interest in the common elements is appurtenant to each owner's unit. An owner of a condominium unit is entitled to exclusive ownership and use of that owner's unit. The unit owner's proportionate interest in the common elements is set out in the corporation's constating document – known as the declaration.

The creation, sale, regulation, governance and ownership of condominium units in Ontario is governed by the Condominium Act, 1998. The Condominium Act, 1998 is a flexible and progress set of laws and regulations that offer a number of forms of condominiums, including Standard Condominiums, Common Element Condominiums, Vacant Land Condominiums and Leasehold Condominiums.

In Ontario, Standard Condominiums are the most conventional form of condominiums and are typically conceived of in the context of apartment style residential buildings, although they may also be found in a low-rise context (e.g. townhomes) and even in commercial and office properties.

The registration of a proposed condominium's declaration and condominium plan gives rise to the creation of a condominium corporation whose objects are to manage the common elements and assets of the corporation on behalf of the unit owners. A condominium corporation is a corporation without share capital whose members are the unit owners. Once 50% of units have been transferred by the declarant of the condominium corporation to purchasers, the purchasers then elect a board of directors to manage the affairs of the corporation, including the common elements.

In recent years, condominium units accounted for 35% of construction starts in Canada (2013 Canada Mortgage and Housing Corporation, Canadian Housing Observer 2013).

I. Special Tax Implications in the Area of Activity

This area of activity has special tax implications in the form of Land Transfer Tax which is exigible by the purchaser upon the purchase of real estate in Ontario. Land Transfer Tax is a graduated tax scheme, between 0.5% and 2%, with additional graduated tax between 0.5% and 1.5% within the municipal area of Toronto. For details, see note 15 to the financial statements.

7.8.2 Below is a summary of financial results of the operating segment for the three-year period ended December 31, 2014 and for the six-month periods ended June 30, 2014 and June 30, 2015:

Parameter	For the Six months ended June 30,		For the year ended		
	2015	2014	December 31, 2014	December 31, 2013	December 31, 2012
	CAD in thousands				
Operating segment revenues (consolidated)	69,450	5,737	82,774	63,738	34,142
Operating segment profit (loss) (consolidated)	2,817	957	2,013	(311)	369
Operating segment income (Company's share)	4,454	1,034	5,982	3,826	4,562
Total operating segment assets on the balance sheet (consolidated)	195,885	222,968	233,573	279,353	292,299

7.8.3 Geographic regions

For more information about economic parameters for the geography in which the Group operates (Canada), see section 7.7.3 above.

7.8.4 **Aggregate data for projects**

7.8.4.1.1 Entrepreneurial Real Estate Project that was completed during the current period and whose sale was not yet fully completed

		Edge			
		CAD in thousands			
		For the Six months ended June 30, 2015	2014	2013	2012
inventory balance in books relating to project whose construction was completed and have yet to be sold (in terms of costs)	0-6 months	0	2,643	0	0
	6-12 months	0	0	0	0
	12-18 months	0	0	0	0
	18-24 months	0	0	0	0
	Two years and beyond	0	0	0	0
Aging of inventory residential units whose construction was completed and have yet to be sold (in terms of	0-6 months	0	9	0	0
	6-12 months	0	0	0	0
	12-18 months	0	0	0	0
	18-24	0	0	0	0

number of residential units #)	months				
	Two years and beyond	0	0	0	0
********			********	********	********
Number of binding sales contracts signed form the end of the reporting period until close to the reporting date (#) (only regarding projects in progress)		0	9	0	0

7.8.4.1.2 Order backlog and advance payments

		Revenues to be recognized with respect to binding sales contracts	Advance payments and payments to be received with respect to binding sales contracts
2015	Third quarter	2,942	2,942
	Fourth quarter	0	0
2016		5,260	32,681
2017		5,250	58,744
2018		1,867	11,150
2019 and later		0	0
Total		15,446	105,517

7.8.5 Data for development property projects which are not highly material

7.8.5.1 Projects under planning

a. General information for projects under planning as of June 30, 2015 (CAD in thousands):

Project name / location*	Land purchase date	Current cost carrying amount	Planned construction start date	Estimated construction completion date	Was financing / bank assistance obtained for the project?	Group's effective share of project (%)	Residential units in project			
							Current planning status		Planned planning status	
							Residential units	Average square feet per residential unit	Residential units	Average square feet per residential unit
952 Queen	17-Apr-2012	7,170	Jan-2016	Jun-2017	Yes	100%	83	568	83	568
Caledonia	01-Aug-2013	10,210	Mar-2016	Jan-2017	Yes	100%	41	2,885	41	2,885

* All projects under planning are located in Toronto, Canada.

b. Additional information about expected revenues from projects under design as of June 30, 2015 (CAD in thousands):

Project name	Actual cost invested in the project through June 30, 2015:				Total expected cost yet to be invested	Average sale price per square foot in contracts signed for the project (in each period) (excluding VAT) for the six-month period	Signed contracts (if binding sales contracts have been signed), soon prior to June 30, 2015			Inventory for which binding sales contracts have yet to be signed		Total income no yet recognized (a) + (b) + (c)[58]	Total gross profit not yet recognized[59]	Total projected gross profit rate (%)
	Land, fees and development	Capitalized financing costs for the project	Planning and others	Total cost actually invested in the project			Number of signed advance contracts (#)	Un-recognized revenues from signed advance contracts		Expected revenues from un-sold inventory (c)	Average price per square foot used to calculate expected revenue			
								Advance payments received (a)	Amounts receivable pursuant to contracts					

[58] The aforementioned information with regard to expected income constitutes forward-looking information, as the term is defined in Securities Law. This information is based on economic calculations prepared by the Company, based on current sale prices of units already sold, the expected sales rate, based on the Company's past experience with these and other projects. Company estimates may fail to materialize in case of any material deterioration in sale prices of apartments compared to the prices used as basis for the forecasts and/or should the sales rate of project apartments be significantly lower than the sales rate used as basis for the aforementioned revenue forecast, inter alia, to the risk factors listed in section 7.17 below.

[59] The aforementioned information with regard to expected gross margin constitutes forward-looking information, as the term is defined in Securities Law. This information is based on economic calculations prepared by the Company, based on current sale prices of units already sold, the expected sales rate and expected cost for completion of the project, based on the Company's past experience with these and other projects. Company estimates may fail to materialize in case of any material deterioration in sale prices of apartments compared to the prices used as basis for the forecasts and/or should the sales rate of project apartments be significantly lower than the sales rate used as basis for the aforementioned revenue forecast and/or should the actual cost be higher than the cost currently anticipated by the Company due, inter alia, to the risk factors listed in section 7.17 below.

						ended June 30, 2015			(b)		s from un-sold inventor y			
952 Queen	6,042	323	805	7,170	24,713	547	83	3,233	29,970	0	0	33,203	1,320	4.0%
Caledonia	7,927	1,525	757	10,209	16,898	252	41	3,169	27,057	0	0	29,888	3,120	10.3%

7.8.5.2 Land reserve

a. General information for land reserves as of June 30, 2015 (CAD in thousands):

Land reserve name	Land reserve location	Land reserve purchase date, including purchase of air rights	Cost associated with land reserve as of June 30, 2015					Company's effective share of land reserve (%)	Land reserve area in square feet	Construction rights in land reserve				
										Current planning status (by use)**		Desired / planned planning status (by use)		
			Original cost of land reserve (a)	Capitalized planning, development and other costs for land (b)	Capitalized financing costs for the land (c)	Recognized accumulated impairment (d)	Total carrying amount of land as of June 30, 2015 (a)+(b)+(c)-(d)			Residential units (#)	Average square feet per residential unit	Residential units (#)	Average square feet per residential unit	Status of planning proceedings
Lawrence	1780 Lawrence Av., Toronto, CA	29-Aug-2013	8,545	1,050	1,577	0	11,172	100%	324,633	31	2,413	88	2,442	Working towards finalized zoning by Q4 2015
Mallow	15 Mallow Rd., Toronto, CA	28-Aug-2014	15,460	409	1,481	0	17,351	100%	134,402	0	---	39	2,802	Working towards finalized zoning by Q4 2015

Patricia	451 Patricia Av., Toronto, CA	27-Aug-2014	14,416	361	824	0	15,601	100%	119,361	20	2,413	39	3,248	Working towards finalized zoning by Q4 2015
Downsview Blocks A&P	Keele St., Torongo, CA	06-Jun-2015	16,323	0	0	0	16,323	51%	242,194	502	894	473	675	Zoned and awaiting completion of land servicing
Downsview 29 Lots	Keele St., Torongo, CA	06-Jun-2015	8,767	0	0	0	8,767	51%	160,564	29	5,686	60	2800	Working towards finalized zoning by Q2 2016

7.8.5.2.1 Additional information about non-material projects

Project name / location	Information about borrowing for the project (CAD in thousands)									Construction contractor			
	Financial credit limit	Financial credit - available balance as of the report date (June 30, 2015)	Guarantees - credit limit	Guarantees - available balance as of the report date	Total credit facility	Non-recourse ?	Financial credit - interest rate range*	Interest is linked?	Compliance with terms of the loan agreement [Yes/No]	Company is the prime contractor ?	Type of contracting with prime contractor [turnkey / bill of quantities / other - please provide details]	Maintenance warranty covered by prime contractor?	Consideration is linked? [Non-linked / Construction Input Price Index / Other]
Lawrence	7,894	0	0	0	7,894	no	greater of P+7% and 10%	yes	yes	yes	cost plus fee	yes	---
Mallow	13,250	0	0	0	13,250	no	12,750@10% and 500 @15%	yes	yes	yes	cost plus fee	yes	---
Patricia	11,900	0	0	0	11,900	no	2,100 @ P + 7%; 7,700 @ P + 1.75%; 2100 @ 10.5%	yes	yes	yes	cost plus fee	yes	---
952 Queen	10,128	3,190	0	10,128	0	no	3,128 @ 14.00%; 7,000 @ greater of P+4.25 and 7.25%,	yes	yes	yes	cost plus fee	yes	---

Caledonia	7,380	0	0	0	0	no	Greater of P + 7% or 10%	yes	yes	yes	cost plus fee	yes	---
Downsview Blocks A&P	For details, see section 7.8.6.2.H below regarding Downsview Phase I financing.								yes	No	cost plus fee	yes	---
Downsview 29 Lots									yes	no	cost plus fee	yes	---

* P = Prime Rate

7.8.5.2.2 Sensitivity analyses

a. Sensitivity analysis to changes in selling price

Sensitivity analysis for unrecognized gross profit due to changes in selling price* (100%) (CAD in thousands)					
	Effect of 10% increase in selling price on un-recognized gross profit	**Effect of 5% increase in selling price on un-recognized gross profit**	**Total unrecognized gross profit**	**Effect of 5% decrease in selling price on un-recognized gross profit**	**Effect of 10% decrease in selling price on un-recognized gross profit**
952 Queen	1,320	1,320	1,320	1,320	1,320
Caledonia	3,120	3,120	3,120	3,120	3,120
Total - projects under planning (in which residential units have been sold or for which significant marketing has started)	4,440	4,440	4,440	4,440	4,440

* The effect of selling prices is usually only reflected for residential units for which binding sales contracts have yet to be signed. In absence of any special circumstances, the nature of pre-sales in Canada and their contractual obligations mean that the purchaser is obliged to pay the contracted amount, and so there is no possibility of changes in revenue. As of June 30, 2015 and the date of the prospectus, all residential units in the above mentioned projects were pre-sold, therefore no effect will be seen as a result of changing the selling price.

b. Sensitivity analysis to changes in construction input prices

Sensitivity analysis to un-recognized gross profit due to changes in construction input price* (100%) (CAD in thousands)					
	Effect of 10% increase in construction input price on un-recognized gross profit	**Effect of 5% increase in construction input price on un-recognized gross profit**	**Total un-recognized gross profit**	**Effect of 5% decrease in construction input price on un-recognized gross profit**	**Effect of 10% decrease in construction input price on un-recognized gross profit**
952 Queen	(407)	457	1,320	2,184	3,048
Caledonia	2,141	2,630	3,120	3,609	4,098
Total - projects under planning (in which residential units have been sold or for which significant marketing has started)	1,734	3,087	4,440	5,793	7,146

7.8.6 Highly material projects

7.8.6.1 Edge

a. Property overview

(Data for 100%; Company's share of this property – 66.67%)	Details as of June 30, 2015
Project name	Edge
Project location	Toronto, Canada
Brief project description	High-rise condo development of 579 units for sale(out of 666 units in total)
Company's effective share of project	66.67%
Project holding structure	The Company owns a 66.67% interest in the property through subsidiaries, as follows: The Company wholly owns (100%) Urbancorp Cumberland 2 LP which wholly owns (100%) Bosvest Inc. which owns 66.67% of Edge Residential Inc., which wholly owns 100% of rights in the property as nominee and bare trustee (hereinafter in this section: "the **property company**").
Names of project partners	Plaza, 994697 Ontario Inc. (33.33%)
Presentation method on financial statements	Joint operation
Acquisition date of land on which the property is constructed	26-Feb-2010
Area of land on which the property is constructed	79,330 sq ft
Construction work completion date [planned]	May 2015
Actual project marketing start date	Q4 2010
Expected / actual marketing end date	Q3 2014
Agreements with construction contractors with regard to the project	Urbancorp Toronto Management Inc
Construction work start date [actual]	Jul-2011
Details of legal rights in land	Freehold Interest
Special agreements with regard to the project (Promote agreement)	---
Material exposure of reporting entity to the project	---
Was net realization value estimated in	No

the reported period?	
Discussion of infrastructure adjacent to the project	Site is bordered by Queen St, Lisgar St, and Sudbury St. No additional access roads nor infrastructure are required
Special issues	---

Additional information:

For additional information, see section 7.7.6.1 above.

b. Project planning status

Planning status for Edge project as of June 30, 2015 Data for 100%, Company's share of the project 66.67%			
Current planning status			
Inventory type	**Total area (square feet)**	**Total units**	**Notes**
Residential units	317,734	579	Project construction completed
Un-utilized construction rights	0	0	

It is noted that the project includes 87 residential units which are classified as income producing asset. For details regarding the accounting treatment for these units, see section 7.7.6.1.H above.

c. Costs invested and to be invested in the project

(Data based on 100%. Company's effective share of this project – 66.67%)		**Second quarter of 2015**	**2014**	**2013**
(Consolidated financial data, CAD in thousands)				
Invested cost:				
Total accumulated cost of land at end of period	(a)	22,717	22,717	22,717
Total accumulated cost of development, taxes and fees	(b)	28,938	26,670	21,131
Total accumulated construction cost	(c)	86,899	84,220	61,350
Total accumulated financing cost (capitalized)	(d)	10,159	8,783	5,640
Total accumulated cost	(a)+(b)+(c)+(d)	**148,712**	**142,390**	**110,837**
Costs to be invested and completion rate:				
Total land cost to be invested (estimate)	(e)	0	0	0
Total cost of development, taxes and fees to be invested (estimate)	(f)	13,814	14,193	14,331
Total construction cost to be invested (estimate)	(g)	352	1,150	23,512
Total accumulated financing cost to be capitalized in future (estimate)	(h)	0	37	2,550
Total remaining cost through completion	(e)+(f)+(g)+(h)	**14,166**	**15,380**	**40,393**
[Engineering / financial] completion rate (excluding land) (%)		**100%**	**99%**	**72%**

Expected construction completion date		construction completed	Q2 2015	Q4 2014

d. Project marketing

(Data based on 100%. Company's effective share of this project – 66.67%)		Second quarter of 2015 (consolidated)	2014	2013
(Consolidated)				
Contracts signed in current period:				
Residential units (#)		9	33	10
Residential units (square feet)		4,681	16,905	6,404
Commercial space (square feet)		0	37,815	0
Average price per square foot in contracts signed in the current period (CAD):				
Residential units		547	482	421
Commercial space		---	41	---
Accumulated contracts through end of period:				
Residential units (#)		579	570	537
Residential units (square feet)		317,734	313,053	296,148
Commercial space (square feet)		0	37,815	0
Accumulated average price per square foot in contracts signed by end of period (CAD):				
Residential units		467	465	464
Commercial space		---	41	---
Project marketing rate (%):				
Total expected revenues from entire project (CAD in thousands)	(a)	173,219	168,917	169,179
Total expected revenues from signed contracts, on aggregate	(b)	164,679	162,090	153,798
Marketing rate at end of period (%)	(b) / (a)	92.8%	96.0%	90.9%
Space for which contracts have yet to be signed:				
Residential units (#)		0	9	42
Residential units (square feet)		0	4,681	21,586
Commercial space (square feet)		37,815	0	37,815
Total cumulative cost (inventory balance)		1,590	2,363	10,191

attributed to space for which binding contracts have yet to be signed on the statement of financial position (CAD in thousands)			
******	******	******	******
Number of contracts signed from the end of the period to the prospectus date (#) / m^2 [provide details by use]	0	0	0
Average price per m^2 in contracts signed from the end of the period to the prospectus date ([provide details by use] (CAD in thousands)	0	0	0

e. Recognition of revenues from binding sales contracts and advance payments receivable from the project

	Total revenues recognized / to be recognized with respect to signed contracts	Total advance payments received / receivable
Through June 30, 2015	159,651	0
For the six-month period ended December 31, 2015	3,069	0
2016	0	0
2017	0	0
2018	0	0
2019 and later	0	0
Total	162,719	0

f. Gross margin

Estimated overall gross margin for the project (CAD in thousands)					
(Data based on 100%). Company's effective share of this project – 66.67%)		For the six-month period ended June 30, 2015	2014	2013	2012
Total expected project revenues		173,219	168,917	169,179	169,922
Total expected project cost		162,253	157,164	150,649	152,157
Total expected project gross profit (loss)		10,966	11,753	18,530	17,764
Of which, total gross profit already recognized on the profit statement (on aggregate)		2,056	1,219	0	0
Of which, total gross profit yet to be recognized on the profit statement (on aggregate)		8,910	10,534	18,530	17,764
Expected overall project gross margin (%)		6.33%	6.96%	10.95%	10.45%
Average price per sqf used to calculate gross margin yet to be recognized (by use)	Residential	35.2	37.4	51.6	51.6
	Commercial	--	--	--	--

The aforementioned information with regard to expected gross margin constitutes forward-looking information, as the term is defined in Securities Law. This information is based on economic calculations prepared by the

Company, based on current sale prices of units already sold, the expected sales rate and expected cost for completion of the project, based on the Company's past experience with these and other projects. Company estimates may fail to materialize in case of any material deterioration in sale prices of apartments compared to the prices used as basis for the forecasts and/or should the sales rate of project apartments be significantly lower than the sales rate used as basis for the aforementioned revenue forecast and/or should the actual cost be higher than the cost currently anticipated by the Company due, *inter alia*, to the risk factors listed in section 7.17 below.

It should be noted that EDGE zoning was amended in 01-Oct-2013, increasing the building height by 4 stories, the buildable residential floor area from 290,163 sqft to 413,646 sqft, and the total number of residential units from 484 to 666 units (of which 579 were designated as Development for sale, and 87 as Income Producing Property for rental).

g. Sensitivity analysis to project gross profit yet to be recognized

Sensitivity analysis to project gross profit yet to be recognized (100%) (CAD in thousands)					
	Effect of 20% increase	**Effect of 10% increase**	**Total un-recognized gross profit**	**Effect of 10% decrease**	**Effect of 20% decrease**
Effect of change in selling price per sqft of space for which binding sales contracts have yet to be signed on expected un-recognized gross profit	11,010	9,960	8,910	7,860	6,810
Effect of change in construction cost per sqft on expected un-recognized gross profit	8,910	8,910	8,910	8,910	8,910

It is noted that the sensitivity analysis in regard with the change of selling price result from the 38,954 SF of office space in the project. For further details, see section 7.7. 6.1 above.

h. Project specific financing and financial assistance facilities

For details regarding the financing of the of the projects, see section 7.7.6.1.f above.

i. Liens and legal restrictions

For details regarding liens and legal restrictions, see section 7.7.6.1.g above.

7.8.6.2 Downsview Phase I

a. Property overview (project under design)

(Data for 100%; Company's share of this property – 51%)	Details as of June 30, 2015
Project name	Downsview
Project location	Toronto, Canada
Brief project description	Phase I of the project comprises a large low-rise residential development of 491 units for sale, out of them 176 are stacked townhomes, 293 are townhomes and 22 in semi-detached townhomes.
Company's effective share of project	51%
Project holding structure	The company holds a 51% interest in the property through its subsidiaries, as follows: a wholly-owned subsidiary holds (100%) in Urbancorp Downsview Park Development Inc., which holds 51% in Downsview Home Inc., Which holds a 100% interest in the property as nominee (bare trustee) (hereinafter: **"the Property Company"**).
Names of project partners	Mattamy (49%) (hereinafter: **"the Partner"**)
Presentation method on financial statements	Joint operation
Acquisition date of land on which the property is constructed	04-Jun-2015
Area of land on which the property is constructed	869,169 Out of the gross floor areas, 182,258 SF is attributable to stacked townhomes, 539,409 SF to townhomes and 48,096 SF to semi-detached townhomes.
Construction work completion date [planned]	Q2-2017
Actual project marketing start date	Nov-2011
Expected / actual marketing end date	Q4 2016
Agreements with construction contractors with regard to the project	Mattamy oversees project management of project and has in place agreements with construction contractors.
Construction work start date [actual]	Q4-2015
Details of legal rights in land	Freehold Interest
Special agreements with regard to the project (Promote agreement)	---
Material exposure of reporting entity to the project	---
Was net realization value estimated in the reported period?	No

Discussion of infrastructure adjacent to the project	Main access road is Keele St, an existing main road which is adjacent to the property boundary, and which will provide the main access route. Internal roads and servicing, including water, gas and electricity connections, are being constructed currently at the cost and supervision of the land vendor.
Special issues	---

Additional information:

On August 3, 2011, the Company entered into two agreements of purchase and sale with respect to development lands owned by the Federal Government of Canada. One agreement was for the purchase of approximately 1,279,342 sq/ft of buildable floor area (the "**Block Lands**") for a price of CAD 40,097 thousand (the "**Block Agreement**") and the second agreement was for the purchase of 29 single family home building lots comprising approximately 168,000 square feet (the "**Lot Lands**") for a price CAD 8,384 thousand (the "**Lot Agreement**"). Both the Block Lands and the Lot Lands were required to be zoned by the land vendor as a condition of completing the transaction. The purchase consideration was adjusted based on the actual density or feet approved for development, and it is as specified below. The Block Lands and the Lot Lands are hereinafter referred to as the "project".

The first phase of the project is to be constructed on a portion of the Block Lands and comprises 783,126 sqft of buildable floor area. The balance of the lands is currently held for future phases of construction as outlined in section 7.1.9.B. above.

On July 30, 2013, the Company entered into an agreement with the Partner to sell 49% of its interest in the project, including the Block Agreement and the Lot Agreement and enter into a joint venture agreement with respect to the project for consideration amounting to CAD 21 million, plus 50% of the Company's costs in respect of the project to the date of the sale of the 49% interest.

On June 4, 2015, the Property Company completed the acquisition of the Block Lands, for total consideration in the amount of CAD 46,157 thousand, which was financed as follows:

1. The property company has obtained a loan amounting to CAD 36,925 thousand[60] at 0% interest from the property seller, a corporation wholly owned by the Government of Canada (referred to as a Vendor Take Back Mortgage (loan) or "VTB").

[60] In accordance with the loan agreement, the total loan amount is divided and assigned to the various plots of Block Lands, inter alia, for the purposes of maturity date, encumbrance and accruing interest, in case it will accrue.

In a case in which there is a Maturity Date, as defined above, and the Company has not repaid the loan on the dates specified in the loan agreement, then on the occurrence of one of the cases listed below, the annual interest rate on the loan will be a monthly cumulative rate of 15%: (1) In the event that Event A or Event C occurred in a period of up to one month prior to the date of the said payment, interest will accrue in the said period until the repayment of the loan; and (b) In the event that Event B occurred during the four days prior to the date of repayment as aforesaid, the interest will accrue in the said period until the repayment of the loan.

The maturity date of the said loan is the earliest of (hereinafter: "**Maturity Date**"): (a) 60 days after the date on which the Property Company approved the lender that a confirmation from the engineer which supervises construction works (hereinafter: "**the Engineer**") has received that construction meets the requirements for a permit Services (Permit Servicing Requirements) for one of the parts of the project (hereinabove and hereinafter: "**Event A**"); or (b) five days after the date on which the Property Company approved the lender that a confirmation from the Engineer has received that construction has begun above ground in one of the parts of the project (hereinabove and hereinafter: "**Event B**"); or (c) 15 months after the June 4, 2015 or in relation to a part of the Land specified in the agreement, after 24 months from the date of its registration (hereinabove and hereinafter: "**Event C**").

It is clarified that the events of the occurrence of Maturity Date are events in which the conditions of receiving financing for accompanying the construction has occurred, which the Company intends to repay the loan to the seller using it, and therefore an event in which such interest will rise is not expected to take place;

2. The property company received a credit for an initial deposit in the amount of CAD 4,079 thousand paid to the vendor at the time of entering into the Block Agreement (50% of the said consideration was paid by the partner, as stated above);
3. An additional deposit to be credited towards the purchase consideration in the amount of CAD 3,476 thousand;
4. CAD 1,659 thousand which was credited to the property company by the property vendor as consideration for the property company assuming the obligations of the property vendor to construct a series of affordable rental housing units within the project. Note that in this regard, the project must consist of at least 113 Affordable Housing Units, 60 of them single-family houses and 53 apartment units, in conformity with rules set by Canada Mortgage Housing Corporation ("CMHC"), primarily concerning the unit size and rent per sqft. Note that as of this date, the Company is expected to comply with these rules, based on the planning model of the project.

On June 4, 2015, the Company completed the acquisition of the Lot Lands, for total consideration in the amount of CAD 8,767 thousand, which was financed as follows:

1. The property company has obtained a loan amounting to CAD 7,014 thousand[61] at 0% interest from the property seller, a corporation wholly owned by the Government of Canada (referred to as a Vendor Take Back or "VTB"), whereby the property seller provides a loan to the property buyer;
   In a case in which there is a Maturity Date, the date in which the loan is matured, as defined above, and the Company has not repaid the loan on the dates specified in the loan agreement, then on the occurrence of one of the cases listed below, the annual interest rate on the loan will be a monthly cumulative rate of 15% (1) In the event that Event A or Event C occurred in a period of up to one month prior to the date of the said payment, interest will accrue in the said period until the repayment of the loan; and (b) In the event that Event B occurred during the four days prior to the date of repayment as aforesaid, the interest will accrue in the said period until the repayment of the loan.
   It is clarified that the events of the occurrence of Maturity Date are events in which the conditions of receiving financing for accompanying the construction has occurred, which the Company intends to repay the loan to the seller using it, and therefore an event in which such interest will rise is not expected to take place;
2. Credit for an initial deposit in the amount of CAD 838 thousand paid to the vendor at the time of entering into the Lot Agreement; and
3. An additional deposit paid by the Property Company on closing to be credited towards the purchase consideration in the amount of CAD 915 thousand;

Vendor's right to repurchase in case of breach of "Commence and Complete" covenant.
According to the purchase and sale agreement, the Company covenanted to commence and complete the project as mentioned below. A breach of the covenant results in the Partner's power to repurchase the Project Lands, upon a 30 day written notice.
Breach of Covenant will be considered:

1. Failure to Commence Construction within 36 months of closing date, in regards to 50% of the multi-family dwelling units and 20 single family townhomes ; or
2. Failure to substantially complete within 60 months of closing date.
   Wherein:
   Commence Construction – means that basements or garages excavated as the case may be, footing poured and basement walls completed.
   Substantially complete – means that either:
   - The municipality has issued an unrestricted occupancy permit therefor; or

[61] In accordance with the loan agreement, the total loan amount is divided and assigned to the various plots of Lot Lands, inter alia, for the purposes of maturity date, encumbrance and accruing interest, in case it will accrue.

- That such residential units and all appurtenances and improvements to the lands are capable of completion at a cost of not more than 3% of the total cost of construction for such dwelling unit, appurtenances and improvements, excluding seasonal items that cannot be completed due to weather conditions.

Decision making in the partnership

The Management Committee, which consists of one Company representative and one partner representative, is entitled to make only "Major Decisions" with regard to the project. The Major Decisions include the following:

1. Acquisition or purchase of any sort, of additional land, including neighboring lots; 2. Approving each Approved Project Phase Budget, and the determination of the Maximum and Minimum working capital requirements for the co-ownership; 3. Approval of financing terms to be arranged or obtained, including the suffering of any encumbrances on the project property; 4. Offering to sale or otherwise transfer a part of the project, except for sale of dwelling units; 5. The terms of the sale of the Affordable Housing component; 6. The decision to accept an offer to purchase an un-marketed property; 7. Determining whether or not distributions of Gross Receipts should be made to the Co-Owners; 8. Making any out-of-budget expense that results in an increase of 10% or more in one of the development categories or in an increase of 5% or more in the total costs of the project; 9. An amendment to the marketing price of the unit, in a way that inflict a 10% or more change to the gross receipts from the project; 10. Any expense to one of the co-owners, not at Arm's Length, excluding staff of the development manager; 11. Any decisions amending the powers of the development manager; 12. The replacement of the development manager under the agreement.

According to the joint venture agreement no action executed, any expense spent, no decision will take place and no commitment be carried out, by the partnership, management committee, each of the partners or development manager in respect of the Major Decisions unless material decisions approved by all partners in writing.

Agreements to purchase and sell of assets of Downsview project by the Partner and the Company

In a Co-Owners Rearrangement Agreement dated November 14th, 2014, it was agreed that the partners would enter negotiations and execute further agreements to purchase and sell, from and to each other, the various assets and components of the project (the "**Final Agreements**"). Upon entering into the Co-Owners Rearrangement Agreement, the Partner transferred 4,500 thousand CAD to the Company, as a down payment on account of the consideration agreed upon by the parties (hereinafter: the "**Down Payment**").

In accordance with the Co-Owners Rearrangement Agreement (and subsequent amendments), in the event that the Final Agreements were not executed by the partners by December 21, 2015, the Down Payment would have to be repaid by the Company to the Partner with an annual interest rate of 15%. The Down Payment is guaranteed with the Company's interest in the project. In case the Company will not repay the Down Payment, the Down Payment will be considered as a consideration for the Company's interest in the project to the Partner.

As of the date to this draft, the Company intends to repay the Down Payment.

Development management of Downsview project

The property development manager is the partner (hereinafter: "the **Development Manager**"), who is in charge of project design, planning, management, financing, construction and marketing, for consideration equal to 4.5% of total project receipts.
The Management Company would advise the property Development Manager, for consideration equal to 1.5% of total project receipts. In conformity with terms and conditions of the agreement, the consideration for said consulting would only be paid to the Management Company after the Development Manager has been paid at least CAD 13,200 thousand for provision of development services.

Distribution

Provisions for earnings distribution out of the property company's cash flow are as follows:

1. Payment of all project expenses;
2. Principal and interest payment for project financing;
3. Payment to the development manager;
4. Payment of CAD 21,000 thousand to the partner;
5. All other payments would be shared as follows: 50% to the Company, 49% to the partner and 1% to the development manager.

b. Project planning status

Planning status for Downsview Phase I project as of June 30, 2015 Data for 100%, Company's share of the project 51%			
Current planning status			
Inventory type	**Total area (square feet)**	**Total units**	**Notes**
Residential units	769,763	491	---
Un-utilized construction rights	0	0	

As of the prospectus date, none of the residential units have been completed, out of total residential units listed in Table B above.

c. Costs invested and to be invested in the project

(Data based on 100%. Company's effective share of this project – 51%)		Second quarter of 2015	2014	2013
(Consolidated financial data, CAD in thousands)				
Invested cost:				
Total accumulated cost of land at end of period	(a)	25,808	2,389	2,389
Total accumulated cost of development, taxes and fees	(b)	11,264	8,147	7,801
Total accumulated construction cost	(c)	4,492	4,425	4,354
Total accumulated financing cost (capitalized)	(d)	1,065	971	971
Total accumulated cost	(a)+(b)+(c)+(d)	42,629	15,933	15,515
Costs to be invested and completion rate:				
Total land cost to be invested (estimate)	(e)	0	23,418	38,647
Total cost of development, taxes and fees to be invested (estimate)	(f)	55,598	58,716	26,532
Total construction cost to be invested (estimate)	(g)	84,459	84,526	84,634
Total accumulated financing cost to be capitalized in future (estimate)	(h)	4,389	4,483	5,775
Total remaining cost through completion	(e)+(f)+(g)+(h)	144,447	171,143	155,588
[Engineering / financial] completion rate (excluding land) (%)	---	**5.0%**	**5.0%**	**4.9%**
Expected construction completion date	---	Q1 2017	Q4 2016	Q2 2016

d. Project marketing

(Data based on 100%. Company's effective share of this project – 51%)		Second quarter of 2015 (consolidated)	2014	2013
(Consolidated)				
Contracts signed in current period:				
Residential units (#)		68	24	43
Residential units (square feet)		110,177	129,958	66,300
Average price per square foot in contracts signed in the current period (CAD):				
Residential units		300	292	350
Accumulated contracts through end of period:				
Residential units (#)		436	368	344
Residential units (square feet)		695,620	585,443	455,485
Accumulated average price per square foot in contracts signed by end of period (CAD):				
Residential units		293	292	346
Project marketing rate (%):				
Total expected revenues from entire project (CAD in thousands)	(a)	223,957	223,957	211,670
Total expected revenues from signed contracts, on aggregate	(b)	193,798	162,434	149,613
Marketing rate at end of period (%)	(b) / (a)	86.5%	72.5%	70.7%

Space for which contracts have yet to be signed:			
Residential units (#)	55	123	147
Residential units (square feet)	71,102	181,279	261,060
Total cumulative cost (inventory balance) attributed to space for which binding contracts have yet to be signed on the statement of financial position (CAD in thousands)	**4,775**	**3,991**	**4,645**
******	******	******	******
Number of contracts signed from the end of the period to the prospectus date (#) / sqft [provide details by use]	23contracts/41,086 SF	0	0
Average price per SF in contracts signed from the end of the period to the prospectus date ([provide details by use] (CAD)	299 CAD/SF	0	0

Mattamy took over project management of Downsview from Urbancorp in October of 2013, and contracts were re-signed with purchasers from February through November of 2014, with some changes to purchasers and properties purchased. The numbers above have been recorded to reflect the signing of new contracts with existing purchasers.

e. Recognition of revenues from binding sales contracts and advance payments receivable from the project

	Total revenues recognized / to be recognized with respect to signed contracts	Total advance payments received / receivable
Through June 30, 2015	0	30,600
For the six-month period ended December 31, 2015	0	2,994
2016	155,038	0
2017	38,760	0
2018	0	0
2019 and later	0	0
Total	193,798	33,594

f. Gross margin

Estimated overall gross margin for the project (CAD in thousands)					
(Data based on 100%). Company's effective share of this project – 51%)		For the six-month period ended June 30, 2015	2014	2013	2012
Total expected project revenues		223,957	223,957	211,670	211,670
Total expected project cost		187,076	187,076	171,103	171,103
Total expected project gross profit (loss)		36,881	36,881	40,566	40,566
Of which, total gross profit already recognized on the profit statement (on aggregate) (*)		0	0	0	0
Of which, total gross profit yet to be recognized on the profit statement (on aggregate)		36,881	36,881	40,566	40,566
Expected overall project gross margin (%)		16.5%	16.5%	19.2%	19.2%
Average price per sqf used to calculate gross margin yet to be recognized (by use)	Residential	296	2	330	330

(*) For details regarding the distribution of profits in Downsview project see Section 7.8.6.2A above.

The aforementioned information with regard to expected gross margin constitutes forward-looking information, as the term is defined in Securities Law. This information is based on economic calculations prepared by the Company, based on current sale prices of units already sold, the expected sales rate and expected cost for completion of the project, based on the Company's past experience with these and other projects. Company estimates may fail to materialize in case of any material deterioration in sale prices of apartments compared to the prices used as basis for the forecasts and/or should the sales rate of project apartments be significantly lower than the sales rate used as basis for the aforementioned revenue forecast and/or should the actual cost be higher than the cost currently anticipated by the Company due, *inter alia*, to the risk factors listed in section 7.17 below.

g. Sensitivity analysis to project gross profit yet to be recognized

Sensitivity analysis to project gross profit yet to be recognized (100%) (CAD in thousands)					
	Effect of 20% increase	**Effect of 10% increase**	**Total un-recognized gross profit**	**Effect of 10% decrease**	**Effect of 20% decrease**
Effect of change in selling price per sqf of space for which binding sales contracts have yet to be signed on expected un-recognized gross profit	5,960	5,463	4,967	4,470	3,973
Effect of change in construction cost per sqf on expected un-recognized gross profit	2,692	3,829	4,967	6,104	7,241

h. Project specific financing and financial assistance facilities

			Loan A:	Loan B:
Balance on statement of financial position (CAD in thousands)	June 30, 2015	Presented under short-term loans:	4,500	43,938
		Presented under long-term loans:	0	0
	December 31, 2014	Presented under short-term loans:	4,500	0
		Presented under long-term loans:	0	0
	December 31, 2013	Presented under short-term loans:	0	0
		Presented under long-term loans:	0	0
Assisting financial institution:			Mattamy Homes	Parc Downsview Park Inc.
Loan / facility approval date and loan origination date:			14-Nov-2014	03-Jun-2015
Total facility (CAD in thousands):			4,500	43,938
Of which, un-utilized balance (as of June 30, 2015):			0	0
Interest-setting mechanism and interest rating:			15%	0%
Principal and interest payment schedule:			Interest accrued monthly and payable upon maturity	Principal repayable upon maturity of loan
Key financial covenants:			None	None
Other key covenants:			None	None
Indicate any breach of key or other covenants as of the end of the reported period:			No	No
Is this non-recourse? [Yes/No]			Yes	Yes
Conditions for release of excess funds from financial assistance account, with indication whether these conditions have been fulfilled:			N/A	N/A
Collateral:			Lien against ownership interest	Lien on the property

A commitment for a CAD 167,715 thousands construction loan has been made by the British Columbia Investment Management Corporation, which will be funded upon the maturity of the Parc Downsview Park Inc. Vendor Take Back mortgage outlined above.

i. Liens and legal restrictions

Type		Details	Secured amount (consolidated) CAD in thousands June 30, 2015
Liens	First	Parc Downsview Park Inc.	43,938

Liens	A lien on the company's ownership rights in the property	Mattamy	4,500

7.8.7 **Marketing and distribution**

The management company is responsible for marketing of the Company's development projects; the management company provides to the Company, *inter alia*, marketing services as described in sections 9.2.2 and 9.2.9 of the prospectus. The management company markets the units by setting up sales offices, contracting with marketing agencies and through online marketing.

7.8.8 **Competition**

See section 7.8.1(d) above.

7.8.9 **Working capital**

For more information see section 7.19.8 of the Board of Directors' explanations enclosed herein.

7.8.10 **Environmental protection**

The Company, as developer, is subject to statutory restrictions with regard to environmental protection and environmental responsibility (the Environmental Protection Act). To the Company's knowledge, as of the date of the Prospectus the Company complies with the environmental protection and environmental responsibility legislation.

7.9 Geothermal operating segment

7.9.1 General information about the operating segment

7.9.1.1 Operating segment structure and changes there in

As noted above, the Group is engaged in the real state segment in Toronto, Canada. In conjunction with Company operations in Toronto, it has developed and retained ownership of Four geothermal utility assets at the Edge, Curve, Bridge and Fuzion projects as described below (hereinafter "**geothermal asset**").

The Company's geothermal assets provide heating and cooling to its residential developments in exchange for (1) a fixed amount (referred to as the "**Capacity Charge**") and (2), 50% of the monetary value of the utility savings by the system, compared to cost for properties without a geothermal asset installed (as modeled by a third party) (referred to as the "**Geothermal Energy Savings Share**")and (3) the routine costs to operate the system as specified in the Supply Agreement.

Each of the geothermal assets are an integrated mechanical system which provides heating and cooling for the building in which it is installed, integrating green technologies to ensure that optimal temperatures are efficiently maintained in the building environment. Retaining of ownership of the geothermal asset provides a stable return for the Company while at the same time reducing the cost of providing heating and cooling to all tenants of the residential property (renters and buyers). The geothermal system itself is the sole source of heating and cooling to the building, and so tenants are entirely dependent upon this supply.

7.9.1.2 What is Geothermal Heating and Cooling Technology

Geothermal heating and cooling technology uses the earth's renewable thermal energy reservoir, which is stored beneath the earth's surface, to either provide heating in the winter or cooling in the summer. The earth's thermal reservoir is created and renewed as a result of energy produced by the sun. The Company's geothermal assets consist of a number of major components, including a geothermal field comprised of piping in geothermal wells, a series of circulating pumps, a heat exchanger, back up boilers, and a building distribution system.

7.9.1.3 Company's Geothermal Systems

The Company's geothermal systems are designed to exchange thermal energy from the earth's thermal reservoir using a series of specially designed geothermal piping filled with highly conductive circulating fluid and a heat exchanger. In the winter heat is extracted from the ground, circulated through a heat exchange unit and then delivered to special ground source heat pumps located in the individual apartments. The ground source heat

pumps utilize a compressor to concentrate and distribute the heat in the building. Excess thermal energy is then used to pre-heat water for domestic use. In the summer months this process is reversed and the geothermal system sheds heat taken from the building back into the ground and the domestic hot water system via the heat exchange and geothermal ground loops. The geothermal systems provide buildings with an efficient source of heat and cooling, and hot water for domestic use – significantly reducing the need (and cost) for natural gas and electricity.

The geothermal system design and technology is not proprietary to Urbancorp. Urbancorp engages mechanical engineers to design a building's geothermal heating, ventilation and air conditioning system, and then tenders the supply and installation of the necessary equipment to mechanical contractors and drilling trades in accordance with the design. Once installed the mechanical engineers, in conjunction with the mechanical contractor, commission the geothermal system.

Each of the Company's geothermal assets are automated and monitored by a third party company (unrelated to the Group) specializes in the design, maintenance and automation of geothermal heating and cooling systems (Hereafter: "**Maintenance Company**"). The system's automation controls the flow of thermal energy within the building as well as within the geothermal wells. The system is also designed to distribute heating and cooling between the sunny and shaded sides of the building without turning on the heat exchange. The geothermal system's automation provides for real time monitoring of equipment and alarms on each component notify where inefficiencies or system malfunctions are present. Each of the Company's geothermal assets is inspected and serviced by the Maintenance Company monthly. Remote monitoring of the Company's geothermal heating and cooling equipment reduces operational risk by allowing the Company to easily detect inefficiencies, anticipate equipment breakdowns reduce downtime in the event of malfunction. The cost of the monthly maintenance and routine maintenance and repair, by the Maintenance Company, are paid by the condominium corporation.

7.9.1.4 The economic rationale for installing geothermal systems In a residential condominium building where the building's main heating, ventilation and air conditioning equipment are leased, approximately one quarter to one third of a residential condominium unit owner's common expenses (i.e. monthly maintenance fee) is attributable to the lease cost, and the cost of utilities for, and maintenance and repair of the equipment. The economic rationale behind **the Company** investment in **the activity, by** building and owning geothermal heating and cooling systems is to capture that portion of the condominium's operating budget associated with the heating and cooling system for a 50 or 60 year period.

It should be emphasized, as detailed below, that the Company provide geothermal energy to the the condominium (as opposed to a direct agreement with the tenants themselves), which are considered to have a low credit risk. The Condominium Act, 1998 provides that

judgment against the condominium corporation is a judgment against all the unit owners in their respective proportionate share. Once firm and binding, the condominium corporation must pay the monthly charges under the geothermal supply contract. Accordingly, the projected annual costs of the geothermal supply contract are included in the annual operating budget of the condominium corporation. Owners pay their proportionate share of the geothermal contract costs in their monthly common expense fees. The Condominium Act, 1998 provides that failure of an owner to pay their common expenses gives rise to the condominium corporations' right to register a super priority lien on that owner's condominium unit, which ranks ahead of any mortgage registered thereon. This super priority lien permits the condominium corporation to sell the unit in order to satisfy the common expense arrears.

While the geothermal assets do not avoid the need to use gas and electricity in the heating and cooling process, the geothermal system may consume About 70% of the energy required to heat and cool an apartment style building with a conventional system. According to The Company's Supply Agreements (Defined hereunder) heating and cooling shares the monetary value of these saving between the Company and the condominium corporation on 50/50 basis.

Additionally, as described below the Company entitled to a fixed monthly fee for the delivery of geothermal heating and cooling referred to as the Capacity Charge. The Capacity Charge is subject to annual escalations in accordance with the energy basket of the Toronto Consumer Price Index.

Finally, the Company is permitted to charge the condominium corporation the operating costs of the geothermal system, including utilities, realty taxes, insurance and maintenance and repair and excluding cost of major capital replacements.

7.9.1.5 Competition / replacements

Substitutes for geothermal systems are the installation of standard heating and cooling systems and / or the installation of alternative geothermal systems. The Company believes there is no better energy supply substitute for buildings in which geothermic systems are installed, for the following reasons:

A. Lack of technical ability or the economic feasibility of the installation of an alternative geothermal system - as specified above, geothermal systems are installed in geothermic wells excavated beneath each of the buildings, a circulation pump system is installed in the basements of the buildings and a pipe system is built into the walls of the building. The Company's buildings are not designed with additional mechanical rooms to install another geothermal system or retrofit conventional boilers. The building's electrical system is not initially designed to accommodate the large electrical loads required by conventional heating ventilation and air conditioning equipment.

Therefore, the installation of an additional system in the same building is not technically feasible or involves very substantial construction costs.

B. Savings in comparison to alternative energy sources – as of the date of the Prospectus, the heating and cooling expenses of residential units using alternative energy-based systems, such as air conditioning systems, are expensive in comparison to the cost of using geothermal systems, which is green renewable thermal energy.

C. Long-term supply agreements - The Company's income from the segment of activity are pursuant to long-term energy supply agreements, ensuring that part of the income of the Company will be received for the rental of each of the geothermic assets to the condominium company, without any dependency on or connection to the volume of consumption.

7.9.1.6 Seasonality

The fixed monthly Capacity Charge comprises 80-82% of the Company's revenues received from the geothermal assets. Accordingly cash flows from geothermal assets are very stable and predictable. Fluctuations in geothermal revenue occur with respect to the savings component of the revenue stream. The monthly utility savings are known in advance as they are set out in the geothermal supply contract pursuant to a third party energy model of the building. Upon entering into the contract the Company knows how much units of energy are saved in each month by the geothermal system. The monetary value of the savings are then determined, on a monthly basis, by multiplying the units of energy saved by the prevailing price per unit of energy in the applicable month depending on a predetermined formula.. Fluctuations in energy prices cause fluctuations in the savings component of the revenue.

Therefore, on the date of the Prospectus, given the high savings rates during the summer, as the geothermal system is used heavily to cool the building, there is a certain degree of seasonality the Company's revenues from operations which does not exceed 25% of total Company revenues from the geothermal asset.

7.9.1.7 Taxation and Insurance

The special tax considerations of geothermal heating and cooling equipment are limited to the availability of a two-year write down of the assets. Other than an expedited write down no other special tax considerations are applicable to the revenues received from the geothermal supply contract. These revenues are taxed in the same manner as other income producing assets.

The geothermal system is insured under the Company's umbrella commercial general liability policy for all risks of direct physical loss or damage including perils of flood, sewer

back-up and earthquake with additional riders for business interruption and equipment breakdown. Insurance is renegotiated and renewed annually. The cost of insurance is paid by the condominium corporation.

7.9.1.8 **R**isk factors associated with geothermal activity

The two main risk factors associated with Company's geothermal activity:: (i) contract risk; and (ii) operational risk.

(i) Contract Risk exists within the first year from the date that control of the condominium corporation is turned over to the purchasers' elected board of directors. Pursuant to Section 112 of the Condominium Act, 1998, the purchaser elected board of directors can, on 60 days written notice, elect to terminate contracts entered into on its behalf by the developer. There are no requirements or pre-conditions to exercising the board's right to cancel contracts within 1 year of being elected. The geothermal supply contract is caught by this provision of the Condominium Act, 1998. This risk is mitigated by a costly break fee in the supply contract and the practical impossibility of installing a new heating and cooling plant in the building.

(ii) The geothermal supply contract is subject to operational or equipment risk as equipment malfunctions or breakdowns may lead to disruptions in cash flow. This risk has been significantly mitigated through the automation of the geothermal system as described above.

7.9.1.9 Key data about the operating segment (CAD in thousands) (Company's share)

Property name		Revenues		Expenses		Pre-tax income		
	Holding percentage	For the six-month period ended June 30, 2015	2014	For the six-month period ended June 30, 2015	2014	For the six-month period ended June 30, 2015	2014	Value of geothermal asset as of June 30, 2015
Bridge	100%	187	410	187	317	0	93	22,980
Curve	100%	30	67	36	49	(6)	18	3,610
Edge	66.67%	304	94	61	148	243	(53)	12,953

Fuzion	50%	209	132	47	63	163	68	4,720
Total	---	**730**	**703**	**331**	**577**	**399**	**126**	**44,263**

7.9.1.10 Highlights of delivery agreements with regard to the geothermal assets

In conjunction with delivery agreements with regard to the Company's geothermal assets, each property company of the projects listed above, prior to installing the Geothermal System and completion of the project, has contracted an agreement with Urbancorp Renewable Power Inc., a company wholly-owned (100%) by Saskin (hereinafter: **"The Geothermal Asset Management Company" and "Supply Agreement"**), whereby the geothermal asset management company would provide maintenance, collection, bookkeeping, budgeting and consulting services with regard to the geothermal assets (hereinafter: **"geothermal asset management services"**). Upon completion of the installation of a Geothermal System and completion of the project, the asset companies assigned, after registration and establishment of the Condo Corporation and prior to transfer control in the Condo Corporation for the residents, their rights and obligations under the Supply Agreement to Condo Corporation.

Pursuant to agreements between the aforementioned property companies and the geothermal asset management company, the consideration for the geothermal asset management services (hereinafter: **"geothermal asset management consideration"**) shall be split as follows: 95% of the geothermal asset management consideration shall be transferred to the Company and 5% of the geothermal asset management consideration shall be transferred to the geothermal asset management company.

Below are highlights of the agreement between property companies and the geothermal asset management company:

Property name	Agreement signing date	Agreement period	Consideration
Bridge	**July 10, 2010**	The initial term of the agreement is 20 years from the agreement signing date; the owner/condominium corporation has two options to extend the contract for two 20-year terms on two years' advance notice prior to expiration of each term. Furthermore, the property companies may terminate the agreement in cases listed in the agreement, including failure by the geothermal asset management company to comply with terms and conditions of the agreement.	The consideration for this agreement is CAD 26 thousand a month plus 50% of the energy savings, as determined by an external appraiser; pending registration of the property as condominium, CAD 53 thousand would be payable in lieu of this variable amount.
Curve	**December 1, 2010**		The consideration for this agreement is CAD 6 thousand a month plus 50% of the energy savings, as determined by an external appraiser; pending registration of the property as condominium, CAD 13 thousand would be payable in lieu of this variable amount.
Edge	**September 30, 2014**		The consideration for this agreement is CAD 32 thousand a month plus 50% of the energy savings, as determined by an external appraiser.
Fuzion*	**December 1, 2012**		The consideration for this agreement is CAD 13 thousand plus a month 50% of the energy savings, as determined by an external appraiser; pending registration of the property as condominium, CAD 20 thousand would be payable in lieu of this variable amount.

* Fuzion is a development project which was held by the Company until the completion of construction and transfer of units which was completed in the January 2014, and the Geo-Thermal of it is being held by the Company (indirectly).

** In light of the Company assessment that there is no substitute for the geothermal systems in relation to supply energy to buildings in which are installed, the Company expects that the condominium will extend the contract for another two prior of 20-year terms each.

7.9.2 Very Material Assets

7.9.2.1 Edge Geothermal System

a. main data about very significant systems (in thousands of Canadian dollars):

(Data for 100%; Company's share of this property – 66.67%)	30.06.2015	2014	2013	2012		On the date of The date of establishment of the system
Fair value at year end (CAD thousands)	19,430	19,180	12,080	10,390	Cost of acquisition/construction ($, thousand)	11,389
Revaluation gains or losses (CAD thousands)	250	7,100	1,690	3,130	Date of acquisition	01-Oct-2014
Total revenue (CAD thousands)	456	142	0	0		
Average revenue per unit (per month/year)	76	47	0	0		
NOI (CAD thousands)	444	134	0	0		
Actual yield (%)	4.6%	0.7%	0%	0%		
Adjusted yield (%)	4.6%	2.8%*	0%	0%		

*Yield adjust to represent annual yield, whilst unit operated for 3 months in 2014 due to completion in Oct-2014

b. Principal data regarding the valuations (in thousands of Canadian dollars):

(Data for 100%; Company's share of this property – 66.67%)	June 30, 2015	2014	2013	2012
Valuation (in thousand CAD)	19,430	19,180	12,080	10,390
Valuator	Janterra Real Estate Advisors			
Independent valuator?	Yes	Yes	Yes	Yes
Is there an indemnification agreement in place?	No	No	No	No
Effective date of valuation (target date for valuation)	June 30, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Valuation model (comparative / income / cost / other)	Discounted Cash Flow approach			
Key assumptions used in valuation - Discounted Cash Flow approach				
Capacity charge	189	378	378	378
Geothermal energy savings share	42	84	84	84
System installation cost to complete	706	4,928	9,275	11,390
Cash Flow Timeline	59	60	60	60
Forecast Annual Long-Term Growth Rate	4.0%	4.0%	4.0%	4.0%
WACC	4.85%	4.85%	6.51%	6.86%
Other key variables	---	---	Assumed Completion Date Oct-2014	Assumed Completion Date Oct-2014

c. expected revenues for the signed contracts

(Data according to 100% - corporation's share in the asset – 66.67%)	For six-month period ending on 31, December 2015	For the year ending on 2016	For the year ending on 2017	For the year ending on 2018	For the year ending on 2019
	In Thousand CAD (Data according to 100% - corporation's share in the asset – 66.67%)				
Fixed components	210	419	436	453	471
Varying components (estimate)	47	93	93	97	101
Total	257	512	529	550	572

7.9.2.2 Bridge Geothermal System

a. main data about very significant systems (in thousands of Canadian dollars):

(Data for 100%; Company's share of this property – 100%)	30.06.2015	2014	2013	2012		On the date of The date of establishment of the system
Fair value at year end (CAD thousands)	22,980	22,740	18,510	21,740	Cost of acquisition/construction ($, thousand)	7,534
Revaluation gains or losses (CAD thousands)	240	4,230	(3,230)	5,800	Date of acquisition	31-Dec-2011
Total revenue (CAD thousands)	187	410	406	349		
Average revenue per unit (per month/year)	31	34	34	29		
NOI (CAD thousands)	176	389	385	329		
Actual yield (%)	1.5%	1.7%	2.1%	1.5%		
Adjusted yield (%)	1.5%	1.7%	2.1%	1.5%		

b. Principal data regarding the valuations (in thousands of Canadian dollars):

(Data for 100%; Company's share of this property – 100%)	June 30, 2015	2014	2013	2012
Valuation (in thousand CAD)	22,980	22,740	18,510	21,740
Valuator	Janterra Real Estate Advisors			
Independent valuator?	Yes	Yes	Yes	Yes
Is there an indemnification agreement in place?	No	No	No	No
Effective date of valuation (target date for valuation)	June 30, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Valuation model (comparative / income / cost / other)	Discounted Cash Flow approach			
Key assumptions used in valuation - Discounted Cash Flow approach				
Capacity charge	171	325	319	315
Geothermal energy savings share	44	84	82	81
System installation cost to complete	0	0	0	69
Cash Flow Timeline	56	57	58	59
Forecast Annual Long-Term Growth Rate	4.0%	4.0%	4.0%	4.0%
WACC	3.85%	3.85%	4.51%	3.86%

a. expected revenues for the signed contracts

(Data according to 100% - corporation's share in the asset – 100%)	For six-month period ending on 31, December 2015	For the year ending on 2016	For the year ending on 2017	For the year ending on 2018	For the year ending on 2019
	In Thousand CAD (Data according to 100% - corporation's share in the asset – 100%)				
Fixed components	171	378	378	393	409
Varying components (estimate)	44	97	97	101	105

Total	215	475	475	494	514

For details regarding the pledge of the Bridge Geothermal System, see section 9.2.7 of the prospectus.

7.9.2.3 Fuzion Geothermal System

a. main data about very significant systems (in thousands of Canadian dollars):

(Data for 100%; Company's share of this property – 50%)	30.06.2015	2014	2013	2012		On the date of The date of establishment of the system
Fair value at year end (CAD thousands)	9,440	9,360	6,340	5,720	Cost of acquisition/construction ($, thousand)	2,103
Revaluation gains or losses (CAD thousands)	160	2,940	620	1,320	Date of acquisition	01-Mar-2013
Total revenue (CAD thousands)	419	263	132	0		
Average revenue per unit (per month/year)	70	22	13	0		
NOI (CAD thousands)	414	253	125	0		
Actual yield (%)	8.8%	2.7%	2.1%	0%		
Adjusted yield (%)	8.8%	2.7%	2.4%*	0%		

*Yield adjust to represent annual yield, whilst unit operated for 10 months in 2013 due to completion in Mar-2013

b. Principal data regarding the valuations (in thousands of Canadian dollars):

(Data for 100%; Company's share of this property – 50%)	June 30, 2015	2014	2013	2012
Valuation (in thousand CAD)	9,440	9,280	6,340	5,720
Valuator	Janterra Real Estate Advisors			
Independent valuator?	Yes	Yes	Yes	Yes
Is there an indemnification agreement in place?	No	No	No	No
Effective date of valuation (target date for valuation)	June 30, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Valuation model (comparative / income / cost / other)	Discounted Cash Flow approach			
Key assumptions used in valuation - Discounted Cash Flow approach				
Capacity charge	94	169	161	161
Geothermal energy savings share	20	36	35	35
System installation cost to complete	0	0	0	311
Cash Flow Timeline	48	49	50	50
Forecast Annual Long-Term Growth Rate	4.0%	4.0%	4.0%	4.0%
WACC	3.85%	3.85%	5.51%	5.86%
Other key variables				Assumed completion Mar-2013

d. expected revenues for the signed contracts

(Data according to 100% - corporation's share in the asset – 50%)	For six-month period ending on 31, December 2015	For the year ending on 2016	For the year ending on 2017	For the year ending on 2018	For the year ending on 2019
	In Thousand CAD (Data according to 100% - corporation's share in the asset – 50%)				
Fixed components	94	187	195	203	211
Varying components (estimate)	20	40	42	44	45
Total	114	227	237	247	256

Part IV – Matters regarding overall corporate operations

7.10 Human Resources

7.10.1 The Group operates out of its headquarters in Toronto, Canada and employs 50 employees. Note that these employees would remain in the Group's employment and would not be directly employed by the Company.

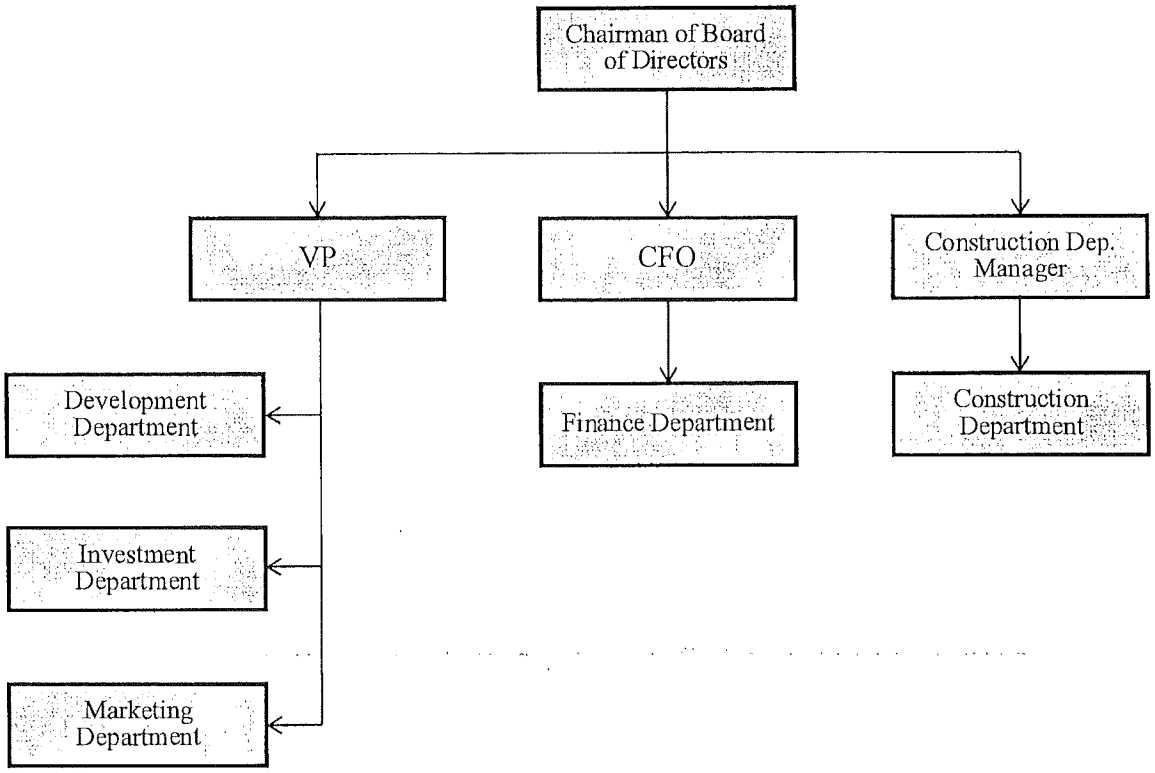
7.10.2 Given that, as of the prospectus date, the Company has no management of its own with regard to its operations, on November 29, 2015 the Company Board of Directors approved contracting of a management services agreement with the management company, for provision of management services by officers and headquarters employees, as set forth in section 9.2.4 below. Note that holdings in the management company would not be transferred to the Company in conjunction with transfer of the transferred rights.

7.10.3 For more information about management agreements between the Group and the transferred companies, with regard to provision of management, development, marketing and construction services for Company properties - see section 9 of the prospectus.

7.10.4 For more information about the comprehensive services agreement between the management company and the Company, see chapter 9 of the prospectus.

7.10.5 **Urbancorp Group structure**

Below is an organizational chart of Urbancorp Group, whose staff would provide management, development, marketing, construction and other services to the Company:



7.10.6 **Dependence on key staff**

The Company believes it is dependent on Mr. Alan Saskin, the controlling shareholder of the Company, given his long experience, expertise, reputation and business relationships in the Company's field of business. Company management believes that should Alan Saskin cease to be a controlling shareholder and/or senior officer of the Company, this may have material short-term impact on Company operations, although in the long term, the Company believes it would be able to train existing staff and/or external resources to replace him.
Note that for some of the financing obtained by the Group, Mr. Alan Saskin has provided guarantees to secure such financing. For more information see section 9.2.8 below.

7.11 Financing

7.11.1 Group operations are financed by equity from Group companies and partners and by borrowing from banks and financial institutions.

7.11.2 The Group typically uses bank financing (senior debt) for a property group and/or for a single property (hereinafter: "the **borrower**") secured, *inter alia*, by pledging the borrower's rights in the property. In some of the loans, a limited or unlimited personal guarantee is provided, at no charge, by the controlling shareholder and/or by the Company's partner in the project and/or by borrower's holding companies (as the case may be) to secure repayment of borrower's obligations to the lender.

7.11.3 In addition, the Company obtains mezzanine financing, typically for short terms at interest rates higher than prevailing interest rates for the Company (on average 10.8%), without a first-ranked lien on the properties. In general, the lender in such loans receives a second-ranked lien on the property (subordinated to senior debt), and a pledge on shares of the property company. The share of mezzanine loans out of total Company liabilities as of June 30, 2015 was 34%. Note that the Company intends to use the issuance proceeds, *inter alia*, to repay mezzanine loans amounting to CAD 50 million.

7.11.4 Loans for investment property are typically at 60%-65% of the property construction cost (since the Company typically constructs its own rental properties). Such loans typically have a long term (10 years) and typically bear fixed interest.

7.11.5 The LTV ratio for loans in development projects is typically 70% of cost, with 15% of cost obtained as deposits from residents and the remainder 15% provided as equity (10% - mezzanine and 5% - cash). The conditions for financing construction typically involve: provision of Record of Site Condition (government acknowledgement that the site is clean to a certain standard), pre-sale of 70% of the units (typically, the revenue of pre-sold units equals the loan amount), guaranteed construction agreements for 50% of construction cost (sub-contractors, materials etc.), appointment of a cost control or quantity surveyor on behalf of the bank, compliance with liquidity terms, collateral for land etc.

7.11.6 Financing of the land component at the acquisition stage is typically at 50%-60% of the land value (LTV), bearing interest at P+1.5%, secured by a first-ranked lien on the land. The loan term is typically 1 year and the borrower may repay the loan early at any time. The remainder of financing is obtained through mezzanine loans. Loans for financing of the land component are typically repaid by the loan for financing of the construction component.

7.11.7 For more information about cross-collateralized loans provided with respect to projects of the Company and of companies controlled by the controlled by the controlling shareholder of the Company (that will not be transferred to the Company), see section 9.2.7 of the prospectus. Besides the abovementioned, there are no cross-collateralized loans in the Company. – confirmed Phillip

7.11.8 Some of the financing agreements include various provisions and restrictions on the borrower, including prohibition of transfer of rights in the land, other than assignment to the lender and/or additional liens on the land, without prior approval by the lender etc. the Company has applied for lender approval for transfer of the transferred rights.

7.11.9 Personal guarantees by the controlling shareholders to secure repayment of borrower's obligations

For more information about guarantees provided by the controlling shareholder of the Company, at no charge, to secure repayment of borrower's obligations, see section 9.2.8 below.

7.11.10 Summary of fixed interest borrowing

	Balance (CAD in thousands)	**Weighted interest rate**	**Average duration (years)**
Loans from banks and financial institutions at fixed interest, secured by lien, as of June 30, 2015	55,428	6.9%	2.4
Non-pledged loans as of June 30, 2015	0	---	---

7.11.11 In the period from June 30, 2015 through the prospectus publication date, the Group Companies did not obtain any material borrowing, except of a construction loan in the amount of CAD 225,000 thousands of the finance of the construction of Kingsclub project, dated August 13, 2015. For further details, see section 7.7.6.2 above.

7.11.12 Adjustable interest borrowing

Below is information about adjustable interest borrowing by the Company from financing providers (CAD in thousands) (consolidated):

Change provisions	**Borrowing amount as of June 30, 2015**	**Maximum interest rate in second quarter of 2015**	**Minimum interest rate in second quarter of 2015**	**Interest rate soon prior to publication of the prospectus**
Prime + 1.1% - 7%	12,414	3.95%-9.85%	3.95%-9.85%	3.80%-9.70%
Greater of Prime+2%-7% / fixed	69,201	7.25%-10%	7.25%-10%	7.25%-10%

7.11.13 Material loans

See "specific financing" tables regarding the highly material assets in the Company's areas of activity.

7.11.14 Free and clear assets

The company's total value of assets (consolidated) not pledged on June 30, 2015 is 36,343 thousand CAD.

7.12 Taxation

See Note 15 to the financial statements as of December 31, 2014.

7.13 Insurance

7.13.1 The Company has commercial general liability insurance coverage for all its properties.

7.13.2 The Company insures real estate against commonly-insured risk, including insurance against claims arising from bodily harm and damage to third party property. Group properties are held and insured by different corporations from time to time.

7.13.3 Company management believes that the Company is not under-insured, since it obtains insurance policies, *inter alia*, in conformity with requirements of financing providers for Company properties.

7.13.4 With regard to the development construction operating segment, buildings under construction are covered by builders risk coverage by the Company, which includes coverage for variable expenses caused by any event covered by the insurance policy. The Company also obtains wrap-up insurance with regard to liability of the owner and construction contractor for any claim for damage incurred by third parties for bodily harm and/or property damage, for each property separately.

7.13.5 The geothermal system is insured under the Company's umbrella commercial general liability policy – see section 7.9.1.7 above.

7.14 Material agreements

The company holds the rights in four projects together with other partners jointly controlled through joint venture agreements (Co-Agreement) (the **"co-ownership agreements"**). According to the co-ownership agreement, a designated property company is established, to holds the property in trust for the project ((Nominee or bare trustee for the benefit of the company and partner). For details regarding the accounting treatment in projects with "joint operation", see note 2.K to the financial statements as of December 31, 2014, in Chapter 10 to the Prospectus.

Property Company	Project Name	Company's share of the property	Structure of holding in the property	Management of the Asset	Unanimous Decisions	Distribution Mechanism	Separation terms
840St. Clair West Inc ("**Property Company**")	St. Clair	40%	Urbancorp 60 St. Clair Inc., a company ultimately wholly-owned (100%) by the Company, holds 40% interest in the property and Hendrick and Main Development Inc. ("**Partner**") holds a 60% interest in the property, through a Property Company.	In accordance with the partnership agreements, resolutions relating to the ongoing conduct of the Project, will be passed by a majority vote of the participants of the Management Committee, which will consist of four (4) members. The composition of the Management Committee shall be determined as follows: Until the date of return of the loan in connection with the property , three (3) representatives will be appointed by the Partner and one (1) by the Company,and after the repayment of the loan as aforesaid, two (2) representatives will be appointed by each of the Company and the Partner, except for resolutions which require unanimous agreement, as set forth below. It should be noted that in accordance with the Management Agreement, up to the date of repayment of the loan in connection with the property, a quorum of the Management Committee will be one representative of the Partner, while after repayment of the loan as aforesaid, a quorum of the Management Committee will be one representative of the Partner and one representative of the Company. For further details regarding the passing of a resolution by the Property Company, see Note 2.B.1.1 to the Company's financial statements as of December 31, 2014.	The following decisions require Unanimous Decisions of the Company and the Partner: The acquisition of additional land, the transfer of property to a third party, appointing a legal advisor appointment of an auditor. , taking of financing. It should be noted that upon the occurrence of one of the following circumstances: (1) if one of the Partners holds less than 33% of the Property Company, or (2) if one of the Partners acts in breach of its obligations under the loan agreement in connection with the property, as the case may be, and as long as sub-section (1) or (2) as aforesaid is fulfilled, the above resolutions will be passed by the other Partner	The mechanism for the distribution of profits from current cash flow of the property company, shall be as follows: 1. Financial expenses; 2. Operating expenses; 3. Expenses due to one of the Co-owners pursuant to the Approved Budget or Development Plan. 4. Fee due to any of the Co-Owners pursuant to the Approved budget or Development Plan 5. Any excess Fund shell be distributed to the Co- Owners based upon their respective Co-Ownership Proportions.	The agreement stipulates terms for separation of the partner and the Company, as follows: .1 **Right of First Offer** - Should one of the parties wish to sell their holdings to a third party, they must first give notice of the sale to the other party and allow them to acquire first the rights offered for sale . .2 **Buy / Sell** - At any time and if the executive board is tied on any decision, the parties may buy / sell the holdings of the other party. This would be made by delivering notice to the other party, indicating the buy / sell price. .3 **Option to buy the commercial portion of the project** - Note that pursuant to the agreement, the partner has an option to buy the commercial portion of the project, at their sole discretion, 12 months after the first date of occupancy by a commercial tenant in any of the commercial properties in the project, by giving notice of their intention to exercise this option (hereinafter: "notice of option exercise"). The purchase price would be determined as follows: total rent revenues with respect to the commercial portion of the project the Company entitled until giving notice of option exercise; plus expected operating revenues discounted at a 5.5% discount capitalization rate, meaning, expected rent revenues of the Company at 95% occupancy (with expected rent with respect to commercial properties yet to be occupied determined based on market rent); less the Company's share of expenses associated with operation of the commercial portion, including property maintenance cost, brokerage fees etc.
1071 KG. Inc ("**Property Company**")	1071 King	50%	Urbancorp Partner (King South) Inc., a company ultimately wholly-owned (100%) by the Company, holds 50% interest in the property and First Capital 1071 Corporation ("**Partner**")[62] holds a 50% interest in the property, through a Property Company.				
Kingsclub Development Inc.	Kingsclub	50%	For Details see section 7.7.6.2 above				
Urbancorp Downsview Park Development Inc.	Downsview	51%	For Details see section 7.8.6.2 above				

[62] To Company's knowledge the partner is being held by First Capital Realty, a public company traded in Toronto stock exchange, a part of Gazit Globe Group.

7.15 Legal Proceedings

As of the issue date of the prospectus, the Company is not aware of any material legal proceedings under way against the Company or against Group companies.

7.16 Business objectives and strategy of the corporation

The Company intends to continue doing business in the operating segments as described in this prospectus; the Company intends to complete all existing construction projects, as described above, and to focus on development of the rental portion of Company properties through further development of real estate projects in coming years; over the years, the development portion of future Company projects would decrease and the great majority of the projects would be rental properties to be owned by the Company upon completion of the project.

Moreover, the Company intends to install Geothermal Systems in its' future projects.

7.17 Discussion of risk factors

7.17.1 Below are risk factors associated with the Company's operating segment, according to Group management as of the prospectus date:

Macro-economic risk

(a) **Interest risk** – The Company is exposed to changes in the Canadian prime lending rate. An increase in these interest rates may reduce the Company's capacity to re-finance its properties by re-financing existing loans at interest rates similar to existing rates.

(b) **Economic slow-down in Canada** - An economic slow-down in Canada may result in lower demand and slower sales and leasing of the Company's property inventory. The Company's extensive experience in the real estate market may allow it to better weather any periods of economic slow-down in Canada - and specifically in Ontario. A general economic slow-down may also lead to a credit crunch, which would limit the Company's sources for financing.

(c) **Availability and cost of borrowing** – Since the Company obtains bank financing to finance its operations, changes in availability and cost of financing and debt at the macro level would impact Company business and profitability. Stricter lending policies at banks and/or financial regulation globally - and specifically in Canada - with regard to borrowing may result in a slow-down in the economy in general, and in the real estate sector in particular, which may result, *inter alia*, in difficulties in borrowing from banks.

Furthermore, general difficulties in raising capital and/or debt through the capital market may also result in higher financing costs for the entire economy, thereby causing difficulties in financing the Company's current operations, in acquiring properties or in re-financing existing debt.

Sector-specific risk

(d) **Collapse of the real estate market in Toronto, Canada** – Significant, sudden lower property prices may impact the capacity of the Company to re-finance its properties at better terms or at existing financing terms. Furthermore, during a period of crisis, the discount rates used in valuations are higher than discount rates in better periods, hence the property valuations may decrease and this may impact the Company's financial results - even if there is no material change in property occupancy as discussed above.

(e) **Cost of contractors** – The cost of hiring construction contractors for Company projects impacts Company profitability and therefore, the Company is impacted by changes in prices of construction raw materials and by labor cost and labor shortage.

(f) **Liquidity risk** – Real estate investments are typically less liquid. Should the Company be forced to rapidly liquidate its real estate investments, the proceeds from such sale to the Company may be lower than the fair value of its properties, as reflected on the financial statements. As of the prospectus date, the Company is not required to make such rapid liquidation.

(g) **Operating cost and expenses for rental properties** – Holding real estate involves fixed costs which are payable throughout the ownership period, regardless of whether the property is generating any revenues. For example, the property owner is liable for the cost of infrastructure services including heating, water, municipal and state taxes, which may increase at a faster rate than inflation and therefore may be onerous for Company expenses and may impact its business profitability. These expenses are not controlled by the property owner and they may be liable for such expenses without a corresponding increase in rent.

Company-specific risk

(h) **Dependence on key person** – see section 7.10.6 above.

(i) **Property and liability risk** – The Group insures its real estate through property insurance policies etc. and also obtains insurance policies for common risk factors to

which the Group is exposed. In case of an insurance event, the Company may have financial exposure amounting to the difference between total insurance coverage and the amount of the claim or damage to the property. Note that Company management believes that the Company is not under-insured.

(j) **Exchange rate risk** – The Company conducts its business in Canada in CAD. Since the Company is expected to raise part of the financing in Israel, the Company may be exposed to changes in the CAD/NIS exchange rate, so that revaluation of the NIS vs. the CAD may negatively impact the Company's financial results. The Company intends to hedge the proceeds (shekel) of the issue against changes in the exchange rate of the shekel against the CAD in order to reduce such exposure.

(k) **Construction risk** – The Company is exposed to construction risk arising from the scope of projects in which the Company is involved. Any fall and/or impact by such equipment may result in damage to property or even loss of life.

(l) **Geothermal activity risks** – The two main risk factors associated with Company's geothermal activity are: (i) Contract risk: Within the first year from the date that control of the condominium corporation is turned over, the condominium corporation elected board of directors can, on 60 days written notice, elect to terminate supply contracts entered into on its behalf; and (ii) Operational risk: As equipment malfunctions or breakdowns may lead to disruptions in cash flow.

7.17.2 The following table lists the aforementioned risk factors by their nature - macro-economic risk, sector-specific risk and Company-specific risk which are rated by the Company in terms of their overall impact on Company business - major, medium or minor impact:

	Extent of risk factor impact on Company operations		
	Major Impact	**Medium Impact**	**Minor Impact**
Macro-economic risk			
Interest risk		V	
Economic slow-down in Canada		V	
Availability and cost of borrowing		V	
Sector-specific risk			

	Extent of risk factor impact on Company operations		
	Major Impact	Medium Impact	Minor Impact
Collapse of the real estate market in Toronto, Canada	V		
Cost of contractors			V
Liquidity risk		V	
Operating cost and expenses for rental properties			V
Company-specific risk			
Dependence on key person		V	
Property and liability risk			V
Exchange rate risk			V
Construction risk		V	
Geothermal activity risks			V

7.18 Subsidiaries and affiliates

7.18.1 Below is information pursuant to Regulations 22 of the Securities Regulations (Annual financial statements), 2010 with regard to material subsidiaries and affiliates of the Company as of December 31, 2013, December 31, 2014 and June 30, 2015 (CAD in thousands):

	Company name	Country of incorporation	Share of capital			Share of voting rights			Total investment in investee		
			As of June 30, 2015	As of December 31, 2014	As of December 31, 2013	As of June 30, 2015	As of December 31, 2014	As of December 31, 2013	As of June 30, 2015	As of December 31, 2014	As of December 31, 2013
1.	Kingsclub Development Inc.	Canada	50%	50%	50%	25%*	25%*	25%*	0	0	0
2.	Fuzion Downtown Development Inc.	Canada	50%	50%	50%	25%*	25%*	25%*	0	0	0
3.	840 St. Clair West Inc.	Canada	40%	40%	40%	40%	40%	40%	0	0	0
4.	High Res Inc.	Canada	100%	100%	100%	100%	100%	100%	0	0	0
5.	Edge Residential Inc.	Canada	66.67%	66.67%	66.67%	66.67%	66.67%	66.67%	0	0	0
6.	Edge on Triangle Park Inc.	Canada	66.67%	66.67%	66.67%	66.67%	66.67%	66.67%	0	0	0
7.	Westside Gallery Lofts	Canada	100%	100%	100%	100%	100%	100%	0	0	0
8.	Urbancorp Power Holdings	Canada	100%	100%	100%	100%	100%	100%	0	0	0
9.	Downsview Home Inc.	Canada	51%	51%	51%	50%	50%	50%	0	0	0
10.	1071 KG Inc.	Canada	50%	50%	50%	25%*	25%*	25%*	0	0	0
11.	Urbancorp (Northside) Inc.	Canada	100%	100%	100%	100%	100%	100%	0	0	0
12.	Urbancorp (St Clair Village) Inc.	Canada	100%	100%	100%	100%	100%	100%	0	0	0
13.	King Residential	Canada	100%	100%	100%	100%	100%	100%	0	0	0
14.	Urbancorp (Lawrence) Inc.	Canada	100%	100%	100%	100%	100%	100%	0	0	0
15.	Urbancorp Residential	Canada	100%	100%	100%	100%	100%	100%	0	0	0

16.	Urbancrop (Mallow) Inc.	Canada	100%	100%	100%	100%	100%	100%	0	0	0
17.	Urbancorp (Patricia) Inc	Canada	100%	100%	100%	100%	100%	100%	0	0	0

- 50% voting rights in JV will be recovered when mezzanine financing from JV partner is repaid

7.18.2 For details of other shareholders who hold over 25% of Company subsidiaries and affiliates as of June 30, 2015 (pro-forma) see section 7.14 above.

7.18.3 Below is more information about earnings of material subsidiaries and affiliates in 2013, 2014 and as of June 30, 2015 (CAD in thousands) (pro-forma):

Company name	Contribution to the equity of the Company, As of June 30, 2015	As of June 30, 2015						As of December 31, 2014						As of December 31, 2013					
		Pre-tax income (loss)	Income (loss) After tax	Gain from appreciation of investment property	Interest revenues (expenses)	Dividends	Management fee	Pre-tax income (loss)	Income (loss) After tax	Gain from appreciation of investment property	Interest revenues (expenses)	Dividends	Management fee	Pre-tax income (loss)	Income (loss) After tax	Gain from appreciation of investment property	Interest revenues (expenses)	Dividends	Management fee
Urbancorp New King	17.6%	(829)	(609)	(568)	0	0	366	1,795	1,319	1,272	(82)	0	125	4,268	3,137	928	(322)	0	135
Urbancorp 60 St. Clair Inc.	0.9%	(284)	(209)	(284)	0	0	0	(180)	(133)	(216)	0	0	0	(489)	(360)	(510)	0	0	0
High Res Inc.	5.5%	560	412	0	(0)	0	3	1,428	1,050	0	0	0	79	(3,863)	(2,839)	0	(1,212)	0	(66)
Bosvest Inc.	5.8%	10,020	7,365	0	(763)	0	0	546	401	0	(332)	0	51	(373)	(274)	0	0	0	245
Westside Gallery Lofts	9.2%	(193)	(142)	0	(5)	0	39	(449)	(330)	0	(100)	0	97	336	247	0	(1,016)	0	0
Urbancorp Power Holdings	38.9%	337	248	0	(51)	0	15	(9)	(7)	0	0	0	3	2,306	1,695	0	0	0	3
Urbancorp Downsview Park Development Inc.	8.0%	(707)	(520)	0	0	0	0	(1,427)	(1,049)	0	0	0	964	27,491	20,206	0	0	0	441
Urbancorp (Partner King South) Inc.	2.8%	(388)	(285)	(388)	0	0	0	1,486	1,092	1,486	0	0	0	(229)	(168)	(227)	0	0	0
Urbanc	2.7%	(387)	(285)	(418)	(30)	0	2	(453)	(333)	(558)	(85)	0	3	(54)	(40)	(154)	(73)	0	12

Company name	Contribution to the equity of the Company, As of June 30, 2015	As of June 30, 2015						As of December 31, 2014						As of December 31, 2013					
		Pre-tax income (loss)	Income (loss) After tax	Gain from appreciation of investment property	Interest revenues (expenses)	Dividends	Management fee	Pre-tax income (loss)	Income (loss) After tax	Gain from appreciation of investment property	Interest revenues (expenses)	Dividends	Management fee	Pre-tax income (loss)	Income (loss) After tax	Gain from appreciation of investment property	Interest revenues (expenses)	Dividends	Management fee
orp (Northside) Inc.																			
Urbancorp (St Clair Village) Inc.	1.2%	(194)	(142)	0	0	0	0	(454)	(333)	0	0	0	0	(173)	(127)	0	0	0	0
King Residential	(0.2%)	(9)	(7)	10	(45)	0	1	(258)	(190)	(228)	(82)	0	12	101	74	(0)	(3)	0	2
Urbancorp (Lawrence) Inc.	2.0%	(226)	(166)	0	0	0	0	(239)	(175)	0	0	0	0	(262)	(193)	0	0	0	0
Urbancorp Residential	2.2%	(120)	(88)	39	(59)	0	0	(210)	(154)	(170)	(107)	0	16	(9)	(7)	(62)	(32)	0	16
Urbancrop (Mallow) Inc.	1.4%	45	33	0	0	0	0	(37)	(27)	0	0	0	0	0	0	0	0	0	0
Urbancorp (Patricia) Inc	3.4%	(20)	(15)	0	0	0	0	(101)	(74)	0	0	0	0	0	0	0	0	0	0

7.19 Board of Directors' report as of December 31, 2014 and for the six-month period ended June 30, 2015

Part I - Board of Directors' discussion of the Company's state of affairs, operating results, shareholder equity and cash flow

7.19.1 Financial position – according to pro-forma consolidated statements of financial position

Analysis of key changes in the Company's financial position:

Item	Balance as of			Company explanations of balances and material changes
	June 30, 2015	June 30, 2014	December 31, 2014	
	CAD in thousands	CAD in thousands	CAD in thousands	
Current assets	144,262	147,618	171,616	Completion the Edge condominium during the six-month period ended on June 30, 2015 resulted in the release of approximately $70mln of customer deposits held in trust Closing of purchase of land in Downsview on June 1st, 2015 increased current assets by approximately $44mln
Non-current assets	147,101	119,202	148,389	Non-current assets are dominated by the growing income producing portfolio, as well as land designated for future development. The land purchase for Downsview closed in May 2015, resulting the reallocation of approximately $15mln of land to inventory due to active work on this project
Total assets	291,363	266,820	320,005	---
Current liabilities	200,060	181,921	235,182	Completion of the Edge condominium resulted in the repayment of the construction loan of approximately $107mln, resulting in a decrease in liabilities. Ongoing construction of income producing properties (primarily Kingsclub) required increasing borrowing via construction loans, and partially offset this difference
Non-current liabilities	18,804	21,013	20,221	---
Total equity	72,499	63,886	* 64,602	Growth in equity is due to profits increase
Total liabilities and equity	291,363	266,820	320,005	---

* for further details, see note 3 to Company's financial report of June 30, 2015.

Item	Balance as of		Company explanations of balances and material changes
	December 31, 2014	December 31, 2013	
	CAD in thousands	CAD in thousands	
Current assets	179,616 *	188,046	These balances represent the ongoing corporate operations in developing, constructing and selling real estate inventory. There has been no significant change in 2013 and 2014
Non-current assets	148,389	96,148	The increase in non-current assets is predominantly due to the construction of IPP properties (predominantly Kingsclub and Edge). In addition, the completion of construction of all 4 geothermal generation plants resulted in an increase in value of capital assets of approximately $11.1mln
Total assets	328,005	284,194	The growth in total assets over the period is almost entirely attributable to an increase in the income producing asset base of the company
Current liabilities	235,182	210,343	---
Non-current liabilities	20,221	16,464	---
Total equity	72,602 *	57,387	The growth in equity is due to profits increase
Total liabilities and equity	328,005	284,194	---

* for further details, see note 3 to Company's financial report of June 30, 2015.

Analysis of key operating results according to the pro-forma consolidated financial statements:

Item	Period:					Company explanations of balances and material changes
	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014	
	CAD in thousands					
Sales of condominium	5,923	165	44,258	4,888	56,693	Q1 and Q2 of 2015 are dominated by the sale of units in Edge, a highly material development project in the amount of CAD 44,258 thousand
Rental income	1,241	246	2,514	597	1,557	---
Geothermal revenue	331	99	730	199	703	Geothermal generation plant in Edge became operational in Q4 of 2014 and adds to geothermal revenues from the 3 additional active plants
Sales of condominium - Cost of Sales	3,864	1,374	39,804	3,854	50,711	---
Rental expense	469	382	1,236	890	1,347	---
Geothermal expense	142	128	332	272	577	---
General and administrative expenses	98	320	426	686	1,351	---
Sales and marketing expense	1,733	315	3,970	964	4,775	---
Appreciation (depreciation) of investment property	(1,191)	(54)	(388)	4,003	1,586	---
Other income	1,289	---	1,415	---	69	---
Financing income (expenses), net	37	80	(79)	(49)	(408)	---
Company share of earnings (losses) of associates	---	---	---	---	---	---

Item	2014	2013	2012	
	CAD in thousands	CAD in thousands	CAD in thousands	
Sales of condominium	56,693	29,744	30,147	Ongoing sales of condominiums and houses, including units in Edge, Fuzion, Bridge and Curve 2013 revenues include income from the sale of a 49% share of the Downsview project to Company's partner in the project.
Rental income	1,557	2,673	2,771	Rental income includes income from both the rental portfolio, and from interim occupancy income. 2013 includes approximately $1.1mln of interim occupancy income from Fuzion, $0.45mln from Curve and $0.51mln from Bridge, resulting from renting condominium by the Company. 2012 includes approximately $1.1mln in interim occupancy income from Bridge and $1.1mln from Westside
Geothermal revenue	703	472	405	Active geothermal generation plants in Bridge, Curve and Fuzion generated steady income. The latest generation plant in Edge came online in Q4 of 2014 and is actively generating heating and cooling
Sales of condominium - cost of sales	50,711	25,918	25,585	The high profitability in 2013 derives from the sale of the 49% share of the Downsview project
Rental expense	1,347	2,077	2,093	Rental expenses include both operating costs for rental units, and expenses associated with interim occupancy (particularly ongoing operations and financing costs). In 2014, Fewer units in interim occupancy resulted in lower rental expenses
Geothermal expense	577	467	304	Geothermal expense is include depreciation of the geothermal assets, which increased in relation to the capital asset base
General and administrative expenses	1,351	788	629	G&A costs are predominantly the allocation of costs of senior management between projects, and depend upon their costs, activity levels and the number and type of projects ongoing.
Sales and marketing expenses	4,775	4,697	4,321	Sales and marketting costs comprise sales commissions, marketing and operations of sales offices. These activities are ongoing, resulting in relatively constant sales and marketing expenses
Appreciation of investment property	1,586	(26)	(1,321)	---
Net Financing expenses	408	461	1,490	Financing expense in 2012 is high due to mezzanine financing costs on Bridge and Westside. These projects had large proportions of high interest mezzanine

				debt, which resulted in large finance expenses Financing expense in 2013 was due to mezzanine financing costs in Curve Low financing expenses in 2014 are the result of reduced interim occupancy periods in the different projects.
Company share of earnings (losses) of associates	0	0	0	---

Analysis of liquidity and financing resources of the Company:

Item	Period:					Company explanations of balances and material changes
	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014	
	CAD in thousands					
Cash flow provided by current operations	82,404	(11,485)	75,703	28,240	(1,287)	Final closing of Edge in May 2015 resulted in a cash flow of $69mln from condominium purchasers
Cash flow provided by investment operations	(4,773)	(6,245)	(5,511)	(4,197)	(12,970)	Continued construction of Kingsclub, with an average spend of approximately $12mln per year requires continuing ongoing financing
Cash flow provided by financing operations	(78,448)	16,659	(70,469)	(21,799)	14,400	Repayment of $77mln construction financing loan on Edge in May 2015

Item	2014 CAD in thousands	2013 CAD in thousands	2012 CAD in thousands	
Cash flow provided by current operations	(1,287)	(7,632)	52,110	Final closing of Westside in July 2012 resulted in cash flow of $77mln from condo purchasers Final closing of Bridge in April 2013 resulted in cash flow of $52mln from condo purchasers, which funded ongoing construction costs associated with Curve, Edge and Fuzion Final closing of Curve and Fuzion in January 2014 resulted in cash flow of $50mln from condo purchasers
Cash flow provided by investment operations	(12,970)	5,739	(12,740)	Ongoing construction of Kingsclub investment property with an annual spend of approximately $12mln. Positive cashflow in 2013 is due to the net release of customer deposits held in trust for construction projects
Cash flow provided by financing operations	14,400	2,155	(39,184)	$71mln of loans repaid from closing proceeds of Westside in 2012 $42mln of loans repaid from closing proceeds of Bridge in 2013 $46mln of loans repaid from closing proceeds of Curve and Fuzion in 2014

FFO (Funds From Operations)

Below are the FFO results (reported net income, excluding revenues and expenses of a non-recurring nature - including gain / loss from sale of properties, adjustments to fair value of investment property and changes in holding stake in investees - and including the Company's share of amortization), which is a parameter commonly used by analysts for analysis of operating results of rental property companies.

Note that FFO:

(a) does not reflect cash flow provided by current operations according to GAAP;

(b) does not reflect cash on hand nor the Company's capacity to distribute such cash;

(c) is not a substitute for reported net income;

(d) is not audited by the Company's Independent Auditor.

The Company considers that, in addition and subject to its financial statements, FFO appropriately reflects another aspect of the Company's operating results, providing basis for comparison of the Company's operating results in a given period to previous periods and to operating results of other rental properly companies.

Below is FFO information for the Company (including its pro-rata share of FFO of associates and jointly-controlled entities):

	CAD in thousands For the six-month period ended June 30,	
	2015	**2014**
FFO	1,859	93

	CAD in thousands For the three-month period ended June 30,	
	2015	**2014**
FFO	2,711	(1,020)

	CAD in thousands

	For the year ended December 31,		
	2014	2013	2012
FFO	1,818	(5,412)	(374)

NOI

Below is information about NOI (Net Operating Income) - income from property rental and operation - for the Group:

Company management believes that NOI is one of the most important parameters in valuation of rental property. Dividing this parameter by the typical cap rate in the area where the property is located is one of the indications for property valuation (in addition to other indications, such as: market value of similar properties in the area, selling price per m^2 of constructed area derived from recent transactions etc.) In addition, NOI is used to measure the free cash flow available to service financial debt obtained for financing the property acquisition, after deducting CapEx for renovations and maintenance from the NOI.

Note that NOI:

(a) Does not reflect cash flow provided by current operations according to GAAP;

(b) Does not reflect cash available for financing all of the Group's cash flows, including its capacity to make distributions;

(c) Should not be considered a substitute for net income, in evaluating the Group's operating results.

(d) Is not audited nor reviewed by the Company's Independent Auditor.

Below is NOI information for the Company (including its pro-rata share of NOI of associates and jointly-controlled entities):

	CAD in thousands For the six-month period ended June 30,	
	2015	2014
NOI	107	158

	CAD in thousands For the three-month period ended June 30,

	2015	2014
NOI	92	88

	CAD in thousands For the year ended December 31,		
	2014	2013	2012
NOI	263	80	0

Part II – Exposure to and management of market risk

The individual responsible for market risk management for the Company is Mr. Phillip Gales, controlling shareholder son-in-law, which is Company's CFO. Company management believes its operations to be exposed to the key market risk factors as listed below:

Effect of currency rates – the Company is not exposed to changes in currency exchange rates, since all of its operations, assets and liabilities are denominated in CAD.

Changes in CDN interest rate – the Company is exposed to changes in the interest rate in Canada. An increase in this interest rate may limit the Company's capacity to re-finance its properties by re-financing existing loans at higher interest rates to new loans at lower interest rates.

Real estate prices – real estate prices may materially impact the Company's business results. These prices fluctuate due to changes in macro-economic variables, such as interest, inflation and growth rates.

Corporate policy with regard to market risk management

The Company Board of Directors supervised the market risk management policy and guides Company management. Furthermore, the Company adjusts its financing structure upon property acquisition of upon refinancing a property or property portfolio (including the loan term, providing for early repayment points not subject to any fines, agreement with the bank on loan terms and conditions etc.) for the business plan for the property / property portfolio, so as to allow maximum flexibility in executing this business plan and in maximizing the property value.

Supervisory means and policy implementation

Company management regularly monitors developments in relevant markets and reports current exposures to the Company Board of Directors. The Company Board of Directors supervised the market risk management policy and guides Company management.

- **Sensitivity tests for financial instruments as of June 30, 2015 and as of December 31, 2014**

  The following table lists changes in fair value of financial instruments sensitive to changes in interest rates in Canada (CAD in thousands):

  Change in fair value of loans

  December 31, 2014

10%	5%		-5%	-10%
147	74	0	(55)	(110)

  June 30, 2015

10%	5%		-5%	-10%
31	15	0	(15)	(31)

- **Linkage basis report**

  Company operations are conducted in CAD, hence its assets and liabilities are primarily affected by this currency.

Part III – Corporate governance aspects

7.19.2 **Overview**

In conformity with the Securities Act (Amendment no. 50), 2012[63], provisions of the Corporate Act and regulations based there upon also apply to any foreign company whose debentures are offered to the public in Israel, including provisions with regard to mandatory appointment of external Board members[64] and an Audit Committee[65].

In accordance with the foregoing, the Company intends to appoint external Board members and an independent Board member; to set remuneration of external Board members and of the independent Board member in conformity with Corporate Regulations (Rules for remuneration and expense reimbursement for independent board members), 2000; to contract and include the Board members in insurance coverage provided by Board member and officer liability insurance policies; to specify the minimum required number of Board members who must have accounting and financial expertise, as defined in Section 240 of the Corporate Act considering, *inter alia*, the Company type, size, scope and complexity of Company operations; to appoint an Audit Committee; to appoint a Remuneration Committee; and to adopt a remuneration policy.

7.19.3 **Internal Auditor**

As of the prospectus date, the Company has no Internal Auditor.

7.19.4 **Charitable donations**

The Company has no policy on charitable donations.

7.19.5 **Independent authorized signatories**

As of the date of filing the prospecuts, Mr. Alan Saskin is an independent authorized signatory of the Company.

7.19.6 **Information about the corporation's Independent Auditor**

The Company's Independent Auditor is Deloitte Brightman, Almagor Zohar & Co.

7.19.7 **Working capital**

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[63] Issued in Legislation Compendium 2830 on August 8, 2012.
[64] Sections 239 through 249a of the Corporate Act.
[65] Sections 114 through 117 of the Corporate Act.

As of June 30, 2015, the Company had negative working capital amounting to CAD 55,798 thousand.

The company's working cycle is between 3 and 5 years for construction projects. The deficit is due to the accounting designated of most loans taken by the Company for construction purposes as current liabilities, while assets under construction mainly designated as non-current.

The following table adjusts the working cycle to a 12-month working cycle to outline this effect

		Revenues	
	Amount in FS (30-Jun-2015)	Adjustment for 12-month working cycle	Total for 12-month working cycle
Current Assets	144,262	(43,104)	101,158
Current Liabilities	(200,060)	105,853	(94,907)
Working Capital	(55,798)	62,249	6,951

Management expects that cash generated from operations and the sale of 952 Queen will be sufficient to finance the company's activities. For details regarding refinance of a loan in Kingsclub project see Note 22 to the company's 2014 pro-forma financial statements. Management's expectations about the Company's ability to timely repay its liabilities are based on the combination of past experience, ongoing discussions with lenders. The Board of directors has determined that this deficient in working capital is not an indication of a liquidity problem in the Company.

For details regarding Company's presentations, see Company's reports published on November 9th, and 10th, 2015.

Part IV – Disclosure with Regard to Financial Reporting by the Company

7.19.8 **Critical accounting estimates**

The financial statements as of June 30, 2015 and as of December 31, 2014 do not include any critical accounting estimates, other than valuation of investment property based on the opinion of qualified valuators.

7.19.9 **Material valuator**

Janterra Real Estate Advisors is the major valuator of Company properties. Properties valued by Janterra Real Estate Advisors account for all of the rental properties on the Company's balance sheet, in an amount of CAD 120,918 thousand. Janterra Real Estate Advisors is independent of the Company.

For information of the main details of the agreement with Janterra Real Estate Advisors, in accordance with section 2 of the Third Schedule of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, see

tables in sections 7.7.6.1, 7.7.6.2 above, as applicable, as well as very material valuations of the Company in Chapter 10 of the financial statements.

For details regarding major assumptions were made in valuations prepared by Janterra Real Estate Advisors, see notes 8.D and 9D. to the financial report of December 31, 2014.

7.19.10 Events subsequent to the date of statement of financial position

On 20 October 2015 transaction was completed whereby the Company sold its projects known as 952 Queen (development and rental) to a third party unrelated to the Company, for an amount of approx.14,500 thousand Canadian dollars. The gain is stated will be posted to the Company's financial statements at December 31, 2015.

For more information about events after the report date, see Note 7 to the financial statements as of June 30, 2015.

Part V – Bonds holders disclosures

Project name	Downsview Phase I	Downsview Blocks A&P	Downsview 29 Lots	Caledonia (St. Clair Village)	Lawrence	Mallow	Patricia
	Details as of June 30, 2015 (Data for 100%; Company's share of this property – 51%)			Details as of June 30, 2015 (Data for 100%; Company's share of this property – 100%)			
Project location	Toronto, Canada						
Brief project description	Phase I of the project comprises a large low-rise residential development of 491 units for sale, out of them 176 are stacked townhomes, 293 are townhomes and 22 in semi-detached townhomes.	Downsview Blocks A&P is a mixed-use project consisting of rental and development portions. The project consists of 526 residential units in two towers, with a total above grade buildable floor area of 408,308 sqft, of which 473 residential units with a total saleable floor area of 367,166 sqft, to be the development portion of this project, which would be classified as development property under planning.	Downsview 29 Lots is a development property under planning. The project consists of 60 low-rise residential buildings, with a total area of 168,000 square feet, which would be classified as development property under planning.	St. Clair Village is a development project under planning. The project consists of 41 residential semi-detached townhomes with an area of 118,300 sqft.	Lawrence is a development project consisting of 88 low-rise residential units with a total saleable area of 236,478 sqft (the project has a total land area of 324,633 SF), to be classified as development property - land reserve. As of June 30, 2015, the asset company has engaged in pre-sale agreements in regards to 33 of the residential units of the project.	Mallow is a development project consisting of 39 low-rise residential units with a total saleable area of 109,280 sqft (the project has atotal land area of 134,402 SF), to be classified as development property - land reserve. As of June 30, 2015, the asset company has engaged in pre-sale agreements in regards to 17 of the residential units of the project.	Patricia is a development project consisting of 39 low-rise residential units with a total saleable area of 126,690 sqft (the project has a total land area of 119,361 SF), to be classified as development property - land reserve.
Company's	51%			100%	100%	100%	100%

effective share of project							
Project holding structure	The company holds a 51% interest in the property through its subsidiaries, as follows: a wholly-owned subsidiary holds (100%) in Urbancorp Downsview Park Development Inc., which holds 51% in Downsview Home Inc., Which holds a 100% interest in the property as nominee (bare trustee)			The company holds a 100% interest in the property through its subsidiaries, as follows: a wholly-owned subsidiary holds (100%) in Urbancorp (St. Clair Village Inc.), Which holds a 100% interest in the property as nominee (bare trustee)	The company holds a 100% interest in the property through its subsidiaries, as follows: The Company holds 100% of Urbancorp (Lawrence) Inc, Which holds a 100% interest in the property as nominee (bare trustee)	The company holds a 100% interest in the property through its subsidiaries, as follows: The Company holds 100% of Urbancorp (Mallow) Inc, Which holds a 100% interest in the property as nominee (bare trustee)	The company holds a 100% interest in the property through its subsidiaries, as follows: The Company holds 100% of Urbancorp (Patricia) Inc, Which holds a 100% interest in the property as nominee (bare trustee)
Names of project partners	Mattamy (49%)			---	---	---	---
Presentation method on financial statements	Joint operation			consolidated	consolidated	consolidated	consolidated
Acquisition date of land on which the property is constructed	04-Jun-2015			1 Aug 2013	29 Aug 2013	28 Aug 2014	27 Aug 2014
Area of land on which the property is constructed	869,169 Out of the gross floor areas, 182,258 SF is attributable to stacked townhomes, 539,409 SF to townhomes and 48,096 SF	496,215	160,564	89,298	633,324	134,402	119,361

	to semi-detached townhomes.						
Construction work completion date [planned]	Q2 2017	Q2 2018	Q3 2017	Q1 2017	Q3 2017	Q1 2018	Q4 2017
Actual project marketing start date	Nov-2011	Mar-16	Mar-16	Jan-14	Oct-13	Oct-14	Apr-16
Expected / actual marketing end date	Q4 2016	Q4 2016	Q3 2016	Oct-14	Oct-16	Mar-16	Jan-17
Agreements with construction contractors with regard to the project	Mattamy oversees project management of project and has in place agreements with construction contractors.			---	---	---	---
Construction work start date [actual]	Q4-2015	Q3 2016	Q3 2016	Q4-2015	Q4-2016	Q1-2017	Q1-2017
Details of legal rights in land	Freehold Interest			Freehold Interest	Freehold Interest	Freehold Interest	Freehold Interest
Special agreements with regard to the project (Promote agreement)	---			---	---	---	---
Material exposure of reporting entity to the project	---			---	---	---	---

Was net realization value estimated in the reported period?	No	No	No	No	No
Discussion of infrastructure adjacent to the project	Main access road is Keele St, an existing main road which is adjacent to the property boundary, and which will provide the main access route. Internal roads and servicing, including water, gas and electricity connections, are being constructed currently at the cost and supervision of the land vendor.	Main access is via Innes Avenue, and the site is bordered by Caledonia Road and McRoberts Avenue. Existing municipal infrastructure to provide water, gas and electricity exists adjacent to the project	Main access is via Lawrence Avenue W, and the site is bordered by Blackstone Street. Existing municipal infrastructure to provide water, gas and electricity exists adjacent to the project	Main access is via Mallow Road, and the site is bordered by The Donwway East. Existing municipal infrastructure to provide water, gas and electricity exists adjacent to the project	Main access is via Patricia Avenue. Existing municipal infrastructure to provide water, gas and electricity exists adjacent to the project
Special issues	---	---	---	---	---

	Downsview Phase I	Downsview Blocks A&P	Downsview 29 Lots	Caledonia	Lawrence	Mallow	Patricia
Expected surplus	14,144	24,478	7,159	13,409	18,860	16,132	21,643
Total units	491	473	29	41	88	39	39
Accumulated contracts through end of period:							
2013	344	0	0	0	26	0	0
2014	368	0	0	41	32	17	0
Q2 2015	436	0	0	41	65	17	0
Total revenues recognized / to be recognized with respect to signed contracts (Through June 30, 2015)	0	0	0	0	0	0	0
Total expected project revenues	223,957	150,921	49,085	29,888	52,466	45,404	44,230
Total invested project cost (Through June 30, 2015)	42,629	16,323	8,767	10,967	10,923	16,098	14,917
Total expected project cost	187,076	126,037	34,768	24,770	43,119	36,843	37,112
Expected overall project gross margin (%)	16.5%	16.5%	29.2%	17.1%	17.8%	18.9%	16.1%
Expected dates to receive:							
Payments from the project	Q2 2016 through Q2 2017	Q3 2017 through Q2 2018	Q4 2016 through Q1 2017	Q2 2016 through Q1 2017	Q1 2017 through Q3 2017	Q4 2017 through Q1 2018	Q1 2018
Payments from advance payments received	2015	---	---	Through June 30, 2015	2015	Through June 30, 2015	---

	Downsview Phase I	Downsview Blocks A&P	Downsview 29 Lots	Caledonia	Lawrence	Mallow	Patricia
The possibility of imposing additional costs by the Controlling Shareholder, or who has Personal interest in the project after the date issuance	Development fees and construction fees, as may be, as described in section 9.2.2 to the prospectus, and development agreement as described in section 9.2.9 to the prospectus.	Development fees and construction fees, as may be, as described in section 9.2.2 to the prospectus, and development agreement as described in section 9.2.9 to the prospectus.	Development fees and construction fees, as may be, as described in section 9.2.2 to the prospectus, and development agreement as described in section 9.2.9 to the prospectus.	Development fees and construction fees, as may be, as described in section 9.2.2	Development fees and construction fees, as may be, as described in section 9.2.2	Development fees and construction fees, as may be, as described in section 9.2.2	Development fees and construction fees, as may be, as described in section 9.2.2

	Downsview Phase I	Downsview Blocks A&P	Downsview 29 Lots	Caledonia	Lawrence	Mallow	Patricia
The main terms of the financial agreement for the project (including rights of the lender to setoff funds from the surplus account or other accounts)	See section 7.8.6.2.h of the prospectus.	See section 7.8.6.2.h of the prospectus.	See section 7.8.6.2.h of the prospectus.	7,380 Greater of Prime + 7% or 10% First lien over the property. Payment regarding the loan, in the amount of CAD 5 thousand for each residential unit, in an amount which will not exceed CAD 205 thousand. No Conditions are in affect for release of excess funds from financial assistance account.	7,894 greater of Prime +7% and 10% First lien over the property. Payment regarding the loan, in the amount of CAD 3 thousand for each residential unit, in an amount which will not exceed CAD 452 thousand. No Conditions are in affect for release of excess funds from financial assistance account.	12,750@10% and 500 @15% First lien over the property. Payment regarding the loan, in the amount of CAD 15 thousand for each residential unit, in an amount which will not exceed CAD 600 thousand, with an interest of 15% starting June 1, 2016. No Conditions are in affect for release of excess funds from financial assistance account.	2,100 @ Prime + 7%; 7,700 @ Prime + 1.75%; 2,100 @ 10.5% First lien over the property. Payment regarding the loan, in the amount of CAD 6 thousand for each residential unit, in an amount which will not exceed CAD 250 thousand, with an interest of 15% starting June 1, 2016. No Conditions are in affect for release of excess funds from financial assistance account.

	Downsview Phase I	Downsview Blocks A&P	Downsview 29 Lots	Caledonia	Lawrence	Mallow	Patricia
Amount of funds in surplus account as of prospectus' date	0 Project has just started	0 (project hasn't started)	0 (project hasn't started)	0 Demolition of existing buildings on site has just started	0 (project hasn't started)	0 (project hasn't started)	0 (project hasn't started)

For details regarding the dates of principal and interest payments, details regarding the liens of the projects and details regarding the surplus account and the method of transferring funds to the surplus account, see sections 2.2 and 6 to the Deed of Trust.

Part VI – Valuations

7.19.11 For information prescribed in Regulation 8b(i) of Regulations with regard to valuations provided by Janterra Real Estate Advisors. For properties in the rental property segment, see sections 7.7.6.1 and 7.7.6.2 above.

For information about highly material valuations for the Company, see Chapter 10 after the financial statements.

Alan Saskin

Chairman of the board,

President and CEO

Toronto, November 29, 2015

7.20 Board of Directors' report as of December 31, 2014 and for the nine-month period ended September 30, 2015

Part I - Board of Directors' discussion of the Company's state of affairs, operating results, shareholder equity and cash flow

7.20.1 Financial position – according to pro-forma consolidated statements of financial position

Analysis of key changes in the Company's financial position:

Item	Balance as of			Company explanations of balances and material changes
	September 30, 2015	September 30, 2014	December 31, 2014	
	CAD in thousands	CAD in thousands	CAD in thousands	
Current assets	148,811	186,130	[illegible]	Final closing of Edge condominium in Q2 resulted in the release of approximately $70mln of customer deposits held in trust. Rental of condominiums in Edge resulted in $14.5mln of inventory being redesignated as income producing properties (non-current)
Non-current assets:	178,135	123,432	148,389	Continued construction of Kingsclub income producing property, as well as $14.5mln of rental condo units transferred from inventory
Total assets	326,946	309,562	320,005	---
Current liabilities	221,627	221,830	235,182	Refinancing of Kingsclub construction loan and continued construction increased Completion of the Edge condominium resulted in the repayment of the construction loan of approximately $107mln, resulting in a decrease in liabilities.
Non-current liabilities	24,507	21,859	20,221	---
Total equity	80,813	65,873	* 64,602	---
Total liabilities and equity	326,946	309,562	320,005	---

* for further details, see note 3 to Company's financial report of September 30, 2015.

Item	Balance as of		Company explanations of balances and material changes
	December 31, 2014	December 31, 2013	
	CAD in thousands	CAD in thousands	
Current assets	179,616 *	188,046	These balances represent the ongoing corporate operations in developing, constructing and selling real estate inventory. There has been no significant change in 2013 and 2014
Non-current assets:	148,389	96,148	The increase in non-current assets is predominantly due to the construction of IPP properties (predominantly Kingsclub and Edge). In addition, the completion of construction of all 4 geothermal generation plants resulted in an increase in value of capital assets of approximately $11.1mln
Total assets	328,005	284,194	The growth in total assets over the period is almost entirely attributable to an increase in the income producing asset base of the company
Current liabilities	235,182	210,343	---
Non-current liabilities	20,221	16,464	---
Total equity	72,602 *	57,387	The growth in equity is due to profits increase
Total liabilities and equity	328,005	284,194	---

* for further details, see note 3 to Company's financial report of September 30, 2015.

Analysis of key operating results according to the pro-forma consolidated financial statements:

Item	Period:					Company explanations of balances and material changes
	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014	
	CAD in thousands					
Sales of condominium	2,217	7,083	46,475	11,971	56,693	Q1 and Q2 of 2015 are dominated by the sale of units in Edge
Rental income	386	304	2,900	901	1,557	---
Geothermal revenue	355	95	1,085	294	703	Geothermal generation plant in Edge became operational in Q4 of 2014 and adds to geothermal revenues from the 3 additional active plants
Sales of condominium - Cost of Sales	3,601	5,368	43,405	9,222	50,711	---
Rental expense	277	66	1,513	956	1,347	---
Geothermal expense	321	183	653	455	577	---
General and administrative expenses	107	239	533	925	1,351	---
Sales and marketing expense	178	1,515	4,148	2,479	4,775	---
Appreciation (depreciation) of investment property	(768)	(3,248)	(1,156)	755	1,586	---
Other expenses, net	2,293	152	3,708	152	69	---
Financing expenses	(285)	(62)	(364)	(111)	(408)	---
Company share of earnings (losses) of associates	0	0	0	0	---	---

Item	2014	2013	2012	

	CAD in thousands	CAD in thousands	CAD in thousands	
Sales of condominium	56,693	29,744	30,147	Ongoing sales of condominiums and houses, including units in Edge, Fuzion, Bridge and Curve 2013 revenues include income from the sale of a 49% share of the Downsview project to Company's partner in the project.
Rental income	1,557	2,673	2,771	Rental income includes income from both the rental portfolio, and from interim occupancy income. 2013 includes approximately $1.1mln of interim occupancy income from Fuzion, $0.45mln from Curve and $0.51mln from Bridge, resulting from renting condominium by the Company. 2012 includes approximately $1.1mln in interim occupancy income from Bridge and $1.1mln from Westside
Geothermal revenue	703	472	405	Active geothermal generation plants in Bridge, Curve and Fuzion generated steady income. The latest generation plant in Edge came online in Q4 of 2014 and is actively generating heating and cooling
Sales of condominium - cost of sales	50,711	25,918	25,585	The high profitability in 2013 derives from the sale of the 49% share of the Downsview project
Rental expense	1,347	2,077	2,093	Rental expenses include both operating costs for rental units, and expenses associated with interim occupancy (particularly ongoing operations and financing costs). In 2014, Fewer units in interim occupancy resulted in lower rental expenses
Geothermal expense	577	467	304	Geothermal expense is include depreciation of the geothermal assets, which increased in relation to the capital asset base
General and administrative expenses	1,351	788	629	G&A costs are predominantly the allocation of costs of senior management between projects, and depend upon their costs, activity levels and the number and type of projects ongoing.
Sales and marketing expenses	4,775	4,697	4,321	Sales and marketing costs comprise sales commissions, marketing and operations of sales offices. These activities are ongoing, resulting in relatively constant sales and marketing expenses
Appreciation of investment property	1,586	(26)	(1,321)	---
Net Financing expenses	408	461	1,490	Financing expense in 2012 is high due to mezzanine financing costs on Bridge and Westside. These projects had large proportions of high interest mezzanine debt, which resulted in large finance expenses Financing expense in 2013 was due to mezzanine financing costs in Curve

				Low financing expenses in 2014 are the result of reduced interim occupancy periods in the different projects.
Company share of earnings (losses) of associates	0	0	0	---

Analysis of liquidity and financing resources of the Company:

Item	Period:					Company explanations of balances and material changes
	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014	
	CAD in thousands					
Cash flow provided by current operations	2,591	(39,270)	78,294	(11,030)	(1,287)	Final closing of Edge in May 2015 resulted in a cash flow of $69mln from condominium purchasers
Cash flow provided by investment operations	(5,732)	(6,854)	(11,243)	(11,051)	(12,970)	Continued construction of Kingsclub, with an average spend of approximately $12mln per year requires continuing ongoing financing
Cash flow provided by financing operations	3,207	44,164	(67,262)	22,365	14,400	Repayment of $77mln construction financing loan on Edge in May 2015

Item	2014 CAD in thousands	2013 CAD in thousands	2012 CAD in thousands	
Cash flow provided by current operations	(1,287)	(7,632)	52,110	Final closing of Westside in July 2012 resulted in cash flow of $77mln from condo purchasers Final closing of Bridge in April 2013 resulted in cash flow of $52mln from condo purchasers, which funded ongoing construction costs associated with Curve, Edge and Fuzion Final closing of Curve and Fuzion in January 2014 resulted in cash flow of $50mln from condo purchasers
Cash flow provided by investment operations	(12,970)	5,739	(12,740)	Ongoing construction of Kingsclub investment property with an annual spend of approximately $12mln. Positive cashflow in 2013 is due to the net release of customer deposits held in trust for construction projects
Cash flow provided by financing operations	14,400	2,155	(39,184)	$71mln of loans repaid from closing proceeds of Westside in 2012 $42mln of loans repaid from closing proceeds of Bridge in 2013 $46mln of loans repaid from closing proceeds of Curve and Fuzion in 2014

FFO (Funds From Operations)

Below are the FFO results (reported net income, excluding revenues and expenses of a non-recurring nature - including gain / loss from sale of properties, adjustments to fair value of investment property and changes in holding stake in investees - and including the Company's share of amortization), which is a parameter commonly used by analysts for analysis of operating results of rental property companies.

Note that FFO:

(a) does not reflect cash flow provided by current operations according to GAAP;

(b) does not reflect cash on hand nor the Company's capacity to distribute such cash;

(c) is not a substitute for reported net income;

(d) is not audited by the Company's Independent Auditor.

The Company considers that, in addition and subject to its financial statements, FFO appropriately reflects another aspect of the Company's operating results, providing basis for comparison of the Company's operating results in a given period to previous periods and to operating results of other rental properly companies.

Below is FFO information for the Company (including its pro-rata share of FFO of associates and jointly-controlled entities):

	CAD in thousands For the nine-month period ended September 30,	
	2015	**2014**
FFO	3,701	638

	CAD in thousands For the three-month period ended September 30,	
	2015	**2014**
FFO	887	545

	CAD in thousands For the year ended December 31,		
	2014	2013	2012
FFO	1,818	(5,412)	(374)

NOI

Below is information about NOI (Net Operating Income) - income from property rental and operation - for the Group:

Company management believes that NOI is one of the most important parameters in valuation of rental property. Dividing this parameter by the typical cap rate in the area where the property is located is one of the indications for property valuation (in addition to other indications, such as: market value of similar properties in the area, selling price per m^2 of constructed area derived from recent transactions etc.) In addition, NOI is used to measure the free cash flow available to service financial debt obtained for financing the property acquisition, after deducting CapEx for renovations and maintenance from the NOI.

Note that NOI:

(a) Does not reflect cash flow provided by current operations according to GAAP;

(b) Does not reflect cash available for financing all of the Group's cash flows, including its capacity to make distributions;

(c) Should not be considered a substitute for net income, in evaluating the Group's operating results.

(d) Is not audited nor reviewed by the Company's Independent Auditor.

Below is NOI information for the Company (including its pro-rata share of NOI of associates and jointly-controlled entities):

	CAD in thousands For the nine-month period ended September 30,	
	2015	2014
NOI	281	244

	CAD in thousands For the three-month period ended September 30,	
	2015	2014
NOI	174	86

	CAD in thousands For the year ended December 31,		
	2014	2013	2012
NOI	263	80	0

Part II – Exposure to and management of market risk

The individual responsible for market risk management for the Company is Mr. Phillip Gales, controlling shareholder son-in-law, which is Company's CFO. Company management believes its operations to be exposed to the key market risk factors as listed below:

Effect of currency rates – the Company is not exposed to changes in currency exchange rates, since all of its operations, assets and liabilities are denominated in CAD.

Changes in CDN interest rate – the Company is exposed to changes in the interest rate in Canada. An increase in this interest rate may limit the Company's capacity to re-finance its properties by re-financing existing loans at higher interest rates to new loans at lower interest rates.

Real estate prices – real estate prices may materially impact the Company's business results. These prices fluctuate due to changes in macro-economic variables, such as interest, inflation and growth rates.

Corporate policy with regard to market risk management

The Company Board of Directors supervised the market risk management policy and guides Company management. Furthermore, the Company adjusts its financing structure upon property acquisition of upon refinancing a property or property portfolio (including the loan term, providing for early repayment points not subject to any fines, agreement with the bank on loan terms and conditions etc.) for the business plan for the property / property portfolio, so as to allow maximum flexibility in executing this business plan and in maximizing the property value.

Supervisory means and policy implementation

Company management regularly monitors developments in relevant markets and reports current exposures to the Company Board of Directors. The Company Board of Directors supervised the market risk management policy and guides Company management.

- **Sensitivity tests for financial instruments as of September 30, 2015 and as of December 31, 2014**

  The following table lists changes in fair value of financial instruments sensitive to changes in interest rates in Canada (CAD in thousands):

  Change in fair value of loans

  December 31, 2014

10%	5%		-5%	-10%
147	74	0	(55)	(110)

  September 30, 2015

10%	5%		-5%	-10%
19	9	0	(9)	(18)

- **Linkage basis report**

  Company operations are conducted in CAD, hence its assets and liabilities are primarily affected by this currency.

Part III – Corporate governance aspects

7.20.2 Overview

In conformity with the Securities Act (Amendment no. 50), 2012[66], provisions of the Corporate Act and regulations based there upon also apply to any foreign company whose debentures are offered to the public in Israel, including provisions with regard to mandatory appointment of external Board members[67] and an Audit Committee[68].

In accordance with the foregoing, the Company intends to appoint external Board members and an independent Board member; to set remuneration of external Board members and of the independent Board member in conformity with Corporate Regulations (Rules for remuneration and expense reimbursement for independent board members), 2000; to contract and include the Board members in insurance coverage provided by Board member and officer liability insurance policies; to specify the minimum required number of Board members who must have accounting and financial expertise, as defined in Section 240 of the Corporate Act considering, *inter alia*, the Company type, size, scope and complexity of Company operations; to appoint an Audit Committee; to appoint a Remuneration Committee; and to adopt a remuneration policy.

7.20.3 Internal Auditor

As of the prospectus date, the Company has no Internal Auditor.

7.20.4 Charitable donations

The Company has no policy on charitable donations.

7.20.5 Independent authorized signatories

As of the date of filing this draft, Mr. Alan Saskin is an independent authorized signatory of the Company.

7.20.6 Information about the corporation's Independent Auditor

The Company's Independent Auditor is Deloitte Brightman, Almagor Zohar & Co.

7.20.7 Working capital

As of September 30, 2015, the Company had negative working capital amounting to CAD 72,816 thousand.

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[66] Issued in Legislation Compendium 2830 on August 8, 2012.
[67] Sections 239 through 249a of the Corporate Act.
[68] Sections 114 through 117 of the Corporate Act.

The company's working cycle is between 3 and 5 years for construction projects. The deficit is due to the accounting designated of most loans taken by the Company for construction purposes as current liabilities, while assets under construction mainly designated as non-current.

The following table adjusts the working cycle to a 12-month working cycle to outline this effect.

		Revenues	
	Amount in FS (30-September-2015)	Adjustment for 12-month working cycle	Total for 12-month working cycle
Current Assets	148,811	(33,844)	114,967
Current Liabilities	(221,627)	111,928	(109,699)
Working Capital	(72,816)	78,085	5,269

Management expects that cash generated from operations and the sale of 952 Queen will be sufficient to finance the company's activities. For details regarding refinance of a loan in Kingsclub project see Note 6c to the company's September 30, 2015 pro-forma financial statements. Management's expectations about the Company's ability to timely repay its liabilities are based on the combination of past experience, ongoing discussions with lenders. The Board of directors has determined that this deficient in working capital is not an indication of a liquidity problem in the Company.

Part IV – Disclosure with Regard to Financial Reporting by the Company

7.20.8 Critical accounting estimates

The financial statements as of September 30, 2015 and as of December 31, 2014 do not include any critical accounting estimates, other than valuation of investment property based on the opinion of qualified valuators.

7.20.9 Material valuator

Janterra Real Estate Advisors is the major valuator of Company properties. Properties valued by Janterra Real Estate Advisors account for all of the rental properties on the Company's balance sheet, in an amount of CAD 120,918 thousand. Janterra Real Estate Advisors is independent of the Company.

For information of the main details of the agreement with Janterra Real Estate Advisors, in accordance with section 2 of the Third Schedule of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, see tables in sections 7.7.6.1, 7.7.6.2 above, as applicable, as well as very material valuations of the Company in Chapter 10 of the financial statements.

For details regarding major assumptions were made in valuations prepared by

Janterra Real Estate Advisors, see notes 8.D and 9D. to the financial report of December 31, 2014.

7.20.10 **Events subsequent to the date of statement of financial position**

On 20 October 2015 transaction was completed whereby the Company sold its projects known as 952 Queen (development and rental) to a third party unrelated to the Company, for an amount of approx.14,500 thousand Canadian dollars. The gain is stated will be posted to the Company's financial statements at December 31, 2015.

For more information about events after the report date, see Note 6D to the financial statements as of September 30, 2015.

Part V – Bonds holders disclosures

For details regarding with the projects, see part V of the board of director's report as of June 30, 2015.

	Downsview Phase I	Downsview Blocks A&P	Downsview 29 Lots	Caledonia	Lawrence	Mallow	Patricia
Expected surplus	14,144	24,478	7,159	13,409	18,860	16,132	21,643
Total units	491	473	29	41	88	39	39
Accumulated contracts through end of period:							
2013	344	0	0	0	26	0	0
2014	368	0	0	41	32	17	0
Q3 2015	459	0	0	41	65	17	0
Total revenues recognized / to be recognized with respect to signed contracts (Through Septmber 30, 2015)	0	0	0	0	0	0	0
Total expected project revenues	223,957	150,921	49,085	29,888	52,466	45,404	44,230
Total invested project cost (Through Septmber 30, 2015)	47,132	16,323	8,767	11,355	11,847	17,903	15,902
Total expected project cost	187,076	126,037	34,768	24,770	43,119	36,843	37,112
Expected overall project gross margin (%)	16.5%	16.5%	29.2%	17.1%	17.8%	18.9%	16.1%
Expected dates to receive:							
Payments from the project	Q2 2016 through Q2 2017	Q3 2017 through Q2 2018	Q4 2016 through Q1 2017	Q2 2016 through Q1 2017	Q1 2017 through Q3 2017	Q4 2017 through Q1 2018	Q1 2018
Payments from advance payments received	2015	---	---	Through June 30, 2015	2015	Through June 30, 2015	---

	Downsview Phase I	Downsview Blocks A&P	Downsview 29 Lots	Caledonia	Lawrence	Mallow	Patricia
The possibility of imposing additional costs by the Controlling Shareholder, or who has Personal interest in the project after the date issuance	Development fees and construction fees, as may be, as described in section 9.2.2 to the prospectus, and development agreement as described in section 9.2.9 to the prospectus.	Development fees and construction fees, as may be, as described in section 9.2.2 to the prospectus, and development agreement as described in section 9.2.9 to the prospectus.	Development fees and construction fees, as may be, as described in section 9.2.2 to the prospectus, and development agreement as described in section 9.2.9 to the prospectus.	Development fees and construction fees, as may be, as described in section 9.2.2	Development fees and construction fees, as may be, as described in section 9.2.2	Development fees and construction fees, as may be, as described in section 9.2.2	Development fees and construction fees, as may be, as described in section 9.2.2

	Downsview Phase I	Downsview Blocks A&P	Downsview 29 Lots	Caledonia	Lawrence	Mallow	Patricia
The main terms of the financial agreement for the project (including rights of the lender to setoff funds from the surplus account or other accounts)	See section 7.8.6.2.h of the prospectus.	See section 7.8.6.2.h of the prospectus.	See section 7.8.6.2.h of the prospectus.	7,380 Greater of Prime + 7% or 10% First lien over the property. Payment regarding the loan, in the amount of CAD 5 thousand for each residential unit, in an amount which will not exceed CAD 205 thousand. No Conditions are in affect for release of excess funds from financial assistance account.	7,894 greater of Prime +7% and 10% First lien over the property. Payment regarding the loan, in the amount of CAD 3 thousand for each residential unit, in an amount which will not exceed CAD 452 thousand. No Conditions are in affect for release of excess funds from financial assistance account.	12,750@10% and 500 @15% First lien over the property. Payment regarding the loan, in the amount of CAD 15 thousand for each residential unit, in an amount which will not exceed CAD 600 thousand, with an interest of 15% starting June 1, 2016. No Conditions are in affect for release of excess funds from financial assistance account.	2,100 @ Prime + 7%; 7,700 @ Prime + 1.75%; 2,100 @ 10.5% First lien over the property. Payment regarding the loan, in the amount of CAD 6 thousand for each residential unit, in an amount which will not exceed CAD 250 thousand, with an interest of 15% starting June 1, 2016. No Conditions are in affect for release of excess funds from financial assistance account.

	Downsview Phase I	Downsview Blocks A&P	Downsview 29 Lots	Caledonia	Lawrence	Mallow	Patricia
Amount of funds in surplus account as of prospectus' date	0 Project has just started	0 (project hasn't started)	0 (project hasn't started)	0 Demolition of existing buildings on site has just started	0 (project hasn't started)	0 (project hasn't started)	0 (project hasn't started)

For details regarding the dates of principal and interest payments, details regarding the liens of the projects and details regarding the surplus account and the method of transferring funds to the surplus account, see sections 2.2 and 6 to the Deed of Trust.

Part VI – Valuations

7.20.11 For information prescribed in Regulation 8b(i) of Regulations with regard to valuations provided by Janterra Real Estate Advisors. For properties in the rental property segment, see sections 7.7.6.1 and 7.7.6.2 above.

For information about highly material valuations for the Company, see Chapter 10 after the financial statements.

Alan Saskin

Chairman of the board,

President and CEO

Toronto, November 29, 2015

Chapter 8 – Management of the Company

8.1. Board of Directors of the Company

Below are the details of the Directors of the Corporation:

Name and Position:	Alan Saskin, Chairman of the Board of Directors, President and CEO	David Mandell, Director, Vice President and Company Secretary	Phillip Gales, Director and Chief Financial Officer
ID. No.:	Qk215602 (Canadian passport)	GF213140 (Canadian passport)	GBR707799577 (British Passport)
Date of Birth:	24.01.1954	23.10.1976	16.05.1983
Address for Court Correspondence:	120 Lynn Williams Street, Toronto	120 Lynn Williams Street, Toronto	120 Lynn Williams Street, Toronto
Citizenship:	Canadian	Canadian	British
Beginning of Service"	19.6.2015	08.11.2015	08.11.2015[1]
Member of Board of Directors Committee:	No	No	No
Are you an independent Director, external Director or expert external Director?:	No	No	No
Does the Company regard him as External Director, having accounting and financial expertise or having professional qualification?:	---	---	---

[1] Beginning of service as a director. It should be noted that he served as CFO as from June 19, 2015

Name and Position:	Alan Saskin, Chairman of the Board of Directors, President and CEO	David Mandell, Director, Vice President and Company Secretary	Phillip Gales, Director and Chief Financial Officer
The Director is an employee of the corporation, a subsidiary or related company thereof or interested party thereof:	No. Controlling shareholder of the Company, Chairman of the Board of Directors and CEO of the Urbancorp Group	Vice-President of the Company and Urbancorp Group	Chief Financial Officer of the Company and Urbancorp Group
Education:	McGill University, Bachelor of Architecture, 1977; Harvard Business School, Master of Business Administration, 1981	York University, Bachelor of Arts, 1999 Osgoode Hall Law School Bachelor of Laws (LL.B.), 2002; Member of the Law Society of Upper Canada (since 2003)	MBA, Harvard Business School MEng, University of Cambridge MA, University of Cambridge
Occupation during the past 5 years:	Chairman of the Board & CEO of the Urbancorp Group	Attorney at Harris-Sheaffer LL.P. Vice-President of the Urbancorp Group	CEO of Endatum, an oil and gas data analytics company, Entrepreneur, Project Manager at Shell
Corporations in which he serves as a Director:	Artscape Foundation, (CA) Chairman companies controlled by Urbancorp Group	The Theatre Center (CA)	None
Family relationship with another interested party in the Company:	Father in law of Phillip Gales, CFO of the Company	No	Married to the daughter of Alan Saskin, the controlling shareholder, Chairman and CEO of the Company.
Does the Company regard the Director as having accounting and financial expertise with regard to the minimum number?:	No	No	Yes

8.2. Senior Officers

For details regarding Mr. Alan Saskin, CEO of the Company, also serving as Chairman of the Board of Directors, Mr. David Mandell, Vice President and Company Secretary and Mr. Phillip Gales, CFO, who also serve as Directors of the Company, see section 8.1 above.

8.3. Provisions of the Company's By-Laws Relating to Appointment, Office and Fulfillment of Position of the Directors

Since the (non-convertible) undertaking certificates of the Company are presented to the public in Israel according to this Prospectus, and registered for trade in the Stock Exchange, in accordance with Israeli law, the provisions of Section 39a of the Securities Law, 5728-1968 (hereinafter: the **"Securities Law"**) shall apply to the Company, and as a result, the various provisions of the Companies Law, 5759-1999 (hereinafter: the **"Companies Law"**) shall apply, including (without derogating from the generality of the foregoing) the provisions regarding the obligation to appoint external directors[2], appointment of an audit committee[3], as well as the appointment of a remuneration committee[4], and these provisions apply in addition to the provisions of the incorporation documents of the Company and the laws of Ontario, Canada[5].

The following is a description of a portion of the provisions applying to the board of directors of the Company, in accordance with the provisions of the law in the Province of Ontario, Canada, the Articles of Incorporation of the Company and By-Laws of the Company.

Further to the above stated, it shall be noted that regarding the insolvency laws and the distribution policy, the laws of the Province of Ontario, Canada alone shall apply to the Company and the property exercise process shall be carried out in in accordance with the laws of Ontario, Canada.

Notwithstanding the above, it shall be emphasized that the Deed of Trust and its appendices, including the Debentures, are subject to the provisions of the Israeli law[6]. In any matter not mentioned in the Deed of Trust as well as any case of a contradiction between the provisions of the law and between the Deed of Trust, the parties will act in accordance with the Israeli law. The sole court which is authorized to judge the matters related to the Deed of Trust and its appendices and the Debentures attached as an appendix will by the authorized court of Tel Aviv-Jaffa.

Notwithstanding the above, regarding the application of the laws of the Province of Ontario, Canada with regard to bankruptcy and distribution laws, the Company, the controlling shareholder and officers in the Company, as they are at present and as they shall be from time to time, shall not object to the request of the Trustee and/or Holders of Debentures (Series A) which will be submitted to the court in Israel for

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[2] Sections 239 to 249a of the Companies Law.

[3] Sections 114 to 117 of the Companies Law.

[4] Sections 118a and 118b of the Companies Law.

[5] **The Articles of Incorporation of the Company or its By-Laws includes those sections which apply to the Company under Section 39a of the Securities Law. It shall be emphasized that the Articles of Incorporation or the By-Laws of the Company does not have any provision which contradicts a mandatory law in Ontario, Canada.**

[6] In this matter, see Sections 33 and 34 of the Deed of Trust between the Company and the Trustee and the Holders of Debentures (Series A), attached as Appendix 1 to Chapter 2 above.

the application of the Israeli law regarding settlement, arrangement and insolvency, as submitted, shall not appeal to a court outside Israel on their own initiative in order to receive protection from a procedure initiated by the Trustee and/or holders of Debentures (Series A) of the Company, and will not object if the court in Israel will request to apply the Israeli law regarding settlement, arrangement and insolvency with respect to the Company.

Similarly, the Company, the controlling shareholder and the officers in the Company, undertake to not raise any claims against the local authority of the court in Israel in regards to proceedings submitted by the Trustee and/or Holders of Debentures (Series A) of the Company.

In addition to the above, on the date of signing of the Deed of Trust, the Company undertakes to provide the Trustee with the irrevocable undertakings in writing of all the controlling shareholders and all of the officers serving in the Company at the time of the signing of the Deed of Trust, as well as shortly following the appointment of additional officers in the Company and/or a change in the controlling shareholders in the Company, as applicable, (hereinafter: "**the undertakings of the controlling shareholders and the officers**") not to object to the request of the Trustee and/or Holders of Debentures (Series A) which will be submitted to the court in Israel for the application of the Israeli law regarding settlement, arrangement and insolvency of the Company, as submitted, not to appeal to a court outside Israel on their own initiative in order to receive protection from a procedure that was initiated by the Trustee and/or holders of Debentures (Series A) of the Company, and not to object if the court will request to apply the Israeli law in regards to settlement, arrangement and insolvency of the Company, as well as not to raise any claims against the local authority of the court in Israel in relation to the proceedings submitted by the Trustee and/or Holders of Debentures (Series A) of the Company.

For the avoidance of doubt it is clarified and emphasized that the undertakings of the controlling shareholders and the officers shall also explicitly include an irrevocable undertaking not to initiate bankruptcy proceedings under foreign law and in a jurisdiction that is not Israel.

Given the above, and subject to the undertaking of the controlling shareholders and the officers it is to be emphasized and clarified that a bankruptcy procedure, which is not under Israeli law and not in Israeli courts, can only result from a claim by a foreign creditor.

The undertakings of the controlling shareholders and the officers' will be attached in the framework of an immediate report regarding the appointment of an officer or regarding a change in control of the Company (as applicable) which the Company will publish in accordance with the provisions of the Israeli law as part of the pre-issuance reports and on the appointment of any officer and/or the entry of a new controlling shareholder, all during the life-term the Debentures (Series A).

The reference in this chapter to the law of the Province of Ontario, Canada is in accordance with the opinion of an authorized law firm in the Province of Ontario, Canada included in Chapter 11 below, with the original and the translation to Hebrew, which agreed to provide its opinion and its translation for the Prospectus.

The Company, controlling shareholders and officers of the Company, present and future, irrevocably undertake and will irrevocably undertake (as applicable) to not raise any claims against the application, validity or manner of implementation of Section 39A of the Securities Law as stated.

Furthermore, The controlling shareholder and the other officers serving on the Board of Directors of the Company undertake that: (1) in the event where one of the external directors notified the Company that the condition required according to the Companies Law for his office as an external director, then they will operate in accordance with the provisions of the By-Laws of the Company for convening an urgent assembly of shareholders or an urgent board of directors meeting (as necessary), which will include on the agenda the passing of a resolution to terminate the said external director immediately (hereinafter in this Subsection alone: the **"Resolution"**), and they will also vote for the said Resolution; and (2) in the event where one of the directors notified the Company that he was convicted in a judgment for a crime as stated in Section 226(a)(1) of the Companies law or 226(a1) of the Companies Law, or that the administrative enforcement committee resolved to place on that director enforcement means which prohibit him from serving as a director in a private company which is a debentures company, then they will act in accordance with the provisions of the By-Laws of the Company for convening an urgent assembly of shareholders or an urgent board of directors meeting (as necessary), which will include on the agenda the passing of a resolution to terminate the said external director immediately (hereinafter in this Subsection alone: the **"Resolution"**), and they will also vote for the said Resolution.

The controlling shareholder and the other Directors serving on the Board of Directors of the Company irrevocably undertake that starting from the end of three months from the issue date and during the life of the Debentures (Series A), at least three directors (including external directors) who are residents of Israel shall serve on the Board of Directors.

The description below constitutes a principal description of the regulations in the Articles of Incorporation and By-Laws of the Company and is not exhaustive. The Articles of Incorporation of the Company, as well as any amendment thereto, as will be, may be reviewed electronically on the "Magna" site of the Securities Authority at www.magna.gov.il.

"Act" in this chapter means the Business Corporations Act (Ontario), and includes the regulations made pursuant thereto;

8.3.1. Subject to the By-Laws, the business and dealings of the Company will be managed according to or under the supervision of the board of directors.

8.3.2. Appointing directors, the end of their office and alternative directors

8.3.2.1. The election of directors shall take place at the first meeting of shareholders and at each succeeding annual meeting of shareholders at which an election of directors is required. The directors shall hold office for an expressly stated term which shall expire not later than the close of the third annual meeting of shareholders following the election. A director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of shareholders following his election. Incumbent directors, if qualified, shall be eligible for reelection. The election may be by signed resolution. If an election of directors is not held at the proper time the incumbent directors shall continue in office until their successors are elected. External Directors and Non-External Independent Directors shall hold office for a term outlined in section 8.3.3.9.

As of the date on which the Company becomes a Debentures Company, the minimum number of directors shall be four (4) and the maximum number shall be ten (10). Subject to section 8.3.3.2, the Company shall at all times have at least two (2) External Directors. At least 25 per cent of the directors of a Company (other than a non-resident Corporation) shall be resident Canadians, but where a Company has less than four directors, at least one director shall be a resident Canadian.

8.3.2.2. No person shall be appointed as a director of the Company unless the following is disclosed to the Directors of the Company if appointment is to take place by way of Resolution of Directors or the Shareholders of the Company if the appointment shall take place by way of Resolution of Shareholders in the form of a written declaration (the "**Declaration**"):

(A) whether the Person has been convicted by a Judgment of an offense stated in Section 8.3.2.3(a) where the period has not yet passed in which the person is prevented from being appointed as a director under 8.3.2.3(a);

(B) whether the Person has been convicted by a Judgment of an offense as stated in Section 8.3.2.3(b), where the period determined by the court under the same Section 8.3.2.3(b) has not yet passed;

(C) whether the Administrative Enforcement Committee imposed Enforcement Measures which prohibits the Person from serving as a director of any Public Company or any Private Company which is a Debentures Company and the period determined by the Administrative Enforcement Committee as stated has not yet passed under Section 8.2.3.3 (c)..

The Declaration shall be kept in the registered offices of the Company.

8.3.2.3.

(A) A person convicted in a judgment in one of the following offenses shall not be appointed to serve as a director in the Company unless five years have passed from the date the judgment in which he was convicted was given:

(i) Offenses of: (1) bribery , (2) theft of company property by a manager of the company, (3) obtaining anything by deceit, (4) forgery, (5) use of a forged document, (6) inducement by deceit, (7) false registration in documents of a company,(8) offenses by managers or employees of a company, (9) failure to disclose information and misleading publication by an officer of a company, (10) deceit and breach of trust in a company, (11) deceitful concealment (12) blackmail with use of force, (13) blackmail by threats, (14) use of information by an insider, (15) use of inside information the source of which is an insider, (16) offer and sale of securities to the public in Israel not in accordance to a prospectus or a draft prospectus, (17) causing a misleading item to be included in a draft prospectus or in a prospectus, (18) causing a misleading item to be included in information presented at a meeting of the company's employees, (19) issuing an opinion, report or certification which is subsequently included or referred to in a prospectus, report, notice or purchase offer specification, knowing that the opinion , report or certification contained a misleading item, (20) causing a report, notice, registration document or purchase offer specification, submitted to Israel Securities Authority or TASE to contain a misleading item, (21) including a misleading item in one of its reports, publications or in other information provided by it (22) fraud in connection with securities; or

(ii) Conviction by a court anywhere in the world of the offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information.

(B) A person convicted by a judgment which is not listed in Section 8.3.2.3(A) above shall not be appointed as a director in the Company, if the court has determined that by virtue of the substance, severity or circumstances, the person is not permitted to serve as a director in a public company or a private company which is a debentures company for a period set forth by the court which shall not exceed five years from the date the judgment was given.

(C) Where the Administrative Enforcement Committee has imposed a means of enforcement on a Person preventing the said Person from serving as a director of a Public Company or a Private Company which is a Debentures Company, the same person shall not be appointed as director of the Company in which the

person is prohibited from serving as a director based on the same decision.

8.3.2.4. [Deleted]

8.3.2.5. [Deleted].

8.3.2.6. Subject to the provisions of the Act, the shareholders may, by ordinary resolution passed at an annual or special meeting remove any director or directors (excluding an External Director) from office before the expiration of his term and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the directors.

8.3.2.7. If the Company becomes aware that the director was appointed contrary to the provisions of Sections 8.3.2.2 – 8.3.2.3(A) above, or that the director breached the provisions of Sections 8.3.2.3(A) above or 8.3.2.8 below, the Directors shall terminate the office of such Director, by a resolution passed at a meeting of Directors called for purposes including the removal of the Director, if it finds that the said conditions are fulfilled, and such office shall expire on the date of such resolution.

8.3.2.8. If after his appointment as a director of the Company, a Director has been convicted of an offense provided in Sections 8.3.2.3(A) or 8.3.2.3(B) above, the Person shall inform the Company as soon as is reasonably practicable and the Person's office shall be terminated upon receiving such notice, and it shall not be possible to reappoint the said person as a Director unless the time period during which the Person is prohibited from serving as a Director has passed.

8.3.2.9. If after his appointment as a director of the Company, the Administrative Enforcement Committee has resolved to impose means of enforcement on a Person preventing the Person from being appointed as a director in any Public Company, any Private Company which is a Debentures Company or in the company in which the person is appointed as provided in section 8.3.2.3(C), the said Person shall notify the Company as soon as is reasonably practicable thereof and the Person's office shall be terminated upon receiving such notice, and the Person will not be permitted to be reappointed as a Director in the Company in which the said prohibition applies, unless the prohibition period as stated by the Administrative Enforcement Committee has passed.

8.3.2.10. A director who is not named in the Articles of Incorporation may resign from office upon giving a written resignation to the Corporation and such resignation becomes effective when received by the Corporation or at the time specified in the resignation, whichever is later. A director named in the Articles of Incorporation shall not be permitted to resign from his office unless at the time the resignation is to become effective a successor is elected or appointed.

8.3.2.11. A director ceases to hold office when he dies; he is removed from office by the shareholders; he ceases to be qualified for election as a director; or upon the effective date of his resignation in accordance with section 8.3.2.10 hereof.

8.3.2.12. The Directors may at any time appoint any Person to be a Director either to fill a vacancy or as an addition to the existing Directors. Where the Directors appoint a Person as Director to fill a vacancy, the term shall not exceed the term that remained when the Person who has ceased to be a Director ceased to hold office.

8.3.3. External directors

8.3.3.1. If on the date of the appointment of the external director all members of the board of directors in the Company which are not controlling shareholders in the Company or relatives thereof are of one gender, the external director appointed shall be of the other gender.

8.3.3.2. The first external directors shall be appointed no later than three months from the date in which the Company became a debentures company.

8.3.3.3. An external director will be appointed by a resolution of shareholders or by a resolution of the board of directors only after the date on which the said nominee has provided a written Declaration in accordance with the provisions of Section 8.3.2.2 above, and the audit committee approved that all of the conditions stated in Sections 8.3.34, 8.3.3.5 and 8.3.3.6 below have been met.

8.3.3.4. Only an individual who is a resident of Israel and who is qualified for appointment as a director (in accordance with Sections 8.3.2.2 and 8.3.2.3 above) shall be appointed as an External Director and that individual shall either possess Professional Qualifications or Accounting and Financial Expertise. At least one of the External Directors shall possess Accounting and Financial Expertise.

8.3.3.5. The following people shall not be appointed as external directors in the Company:

(A) An individual may not be appointed as an External Director where the individual himself, or whose Relative, partner, employer, person who he is directly or indirectly subject to or a corporation in which he has Control, has a Connection with the Company or with a Controlling Shareholder of the Company or a Relative thereof on the date of appointment or during the two years prior thereto, or to another body corporate, and for a corporation which does not have a Controlling Shareholder or a person holding a Control Block – any Connection to a Person who is, on the date of appointment, the chairman of the Board of Directors of the Company, the general manager, the president, a Substantial Shareholder or the most senior financial Officer;

"Connection" – means the existence of labour relations, business or professional relations generally or control, as well as acting as an Officer, other than as a Director appointed to serve as an External Director in a company which intends to undergo an initial public offering.

"Other Body Corporate" means a body corporate in which the Controlling Shareholder is, on the date of appointment or during the two years prior thereto, the company or a Controlling Shareholder therein.

(B) An individual may not be appointed as an External Director if the said individual's other position or business does or may give rise to a conflict of interest with the role of director of the Company, or if this might harm the individual's ability to act as a Director;

(C) A director in a company shall not be appointed as an external director in another Company if at such time a director of the other company is acting as an External Director of the Company;

(D) An individual shall not be appointed as an external director if the said individual is an employee of the Securities Authority or the Securities Exchange in Tel Aviv.

8.3.3.6. Without derogating from the provision of Section 8.3.3.5 above, an individual shall not be appointed as an external director where the individual himself, or whose relative, partner, employer, person who he is directly or indirectly subject to or a corporation in which he has Control, has business or professional relationship to a Person which is prohibited from having a connection thereto under the provisions of Section 8.3.3.5 above, even if such relationships are not general, with the exception of negligible Connections, and an individual who has received consideration in violation with the provisions of Section 8.3.3.8 below. Where the said relationship exists or where consideration, as stated, was received during the tenure of the External Director, the foregoing shall be considered, for the purpose of Sections 8.3.3.11 – 8.3.3.14 below, to be a breach of one of the conditions required for the appointment or tenure of the external director.

8.3.3.7. On each and every committee authorized to exercise any of the powers of the Board of Directors (in so far as the Act or these by-laws permit) at least one External Director shall serve.

8.3.3.8. An External Director is entitled to remuneration and to a refund of expenses. An External Director shall not receive, in addition to the remuneration to which he is entitled and refund of expenses, any other consideration, directly or indirectly, for acting as a director of the Company. For the purposes of this by-law, consideration shall not include the grant of an exemption, an undertaking to indemnify, indemnification or insurance.

8.3.3.9. The term of office of an external director shall be three years, and the Company may, notwithstanding the provisions of Section 8.3.3.5 above, appoint the External Director for two additional terms of three years each.

8.3.3.10. An External Director shall only be dismissed and his tenure shall only expire in accordance with the provisions of Sections 8.3.3.11-8.3.3.14 below. Furthermore, the Court may, on the request of the Company, a Director, Shareholder or creditor, order the

termination of the tenure of an External Director if it has found that one of the following prevails: (1) the External Director is permanently unable to fulfil his function; (2) during the term of his tenure he was found guilty in a court outside Israel of offenses referred to in Section 8.3.2.3(A) – (C) above;

8.3.3.11. An External Director to which the conditions required by Sections 8.3.3.3-8.3.3.6 above to serve as an External Director no longer apply shall immediately notify the Company thereof, and his tenure shall be terminated by the Directors or Shareholders of the Company.

8.3.3.12. Where the Board of Directors becomes aware that there is a suspicion that an External Director no longer complies with one of the conditions required under Sections 8.3.3.3-8.3.3.6 above for appointment as an External Director, or that there is a suspicion that the Director has breached a fiduciary duty to the Company, the Board of Directors or Shareholders shall discuss such matter at the first meeting to be convened after becoming so aware.

8.3.3.13. Where the Board of Directors or Shareholders finds, after giving the External Director a reasonable opportunity to present his position, that the External Director no longer complies with one of the conditions required under Sections 8.3.3.3-8.3.3.6 above for his appointment or that he has breached a fiduciary duty, the Board of Directors or Shareholders shall convene a meeting to terminate the tenure of the External Director in accordance with section 8.3.2.6 above.

8.3.3.14. The Court may, on the request of either a Director or a Shareholder, instruct for termination of the tenure of an External Director if it has found that the External Director no longer fulfils one of the conditions required under Paragraphs 2.9 (c), (d), (e) and (f) for his appointment as an External Director or that he has breached a fiduciary duty to the Company.

8.3.3.15. Where the position of External Director becomes vacant and there are no longer two External Directors serving in the Company, the Board of Directors shall fill such vacancy by Resolution of Directors.

8.3.4. Powers of Directors

Each director, in exercising his powers or performing his duties, shall act honestly and in good faith in what the director believes to be the best interest of the Company.

8.3.5. Meetings of the board of directors

Meetings of the board may be held at any place within or outside of Ontario.

If all of the directors present at or participating in the meeting consent, any director may participate in a meeting of the board or of a committee of the board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and

instantaneously, and a director participating in such meeting by such means is deemed for the purposes of the Act and the by-law to be present at that meeting. A resolution in writing, signed by all of the directors entitled to vote on that resolution at a meeting of directors or a committee of directors, is as valid as if it had been passed at a meeting of directors or a committee of directors. A copy of every such resolution shall be kept with the minutes of the proceedings of the directors or committee of directors.

8.3.6. Legal quorum

The quorum for the transaction of business at any meeting of the board shall consist of a majority of directors, or the minimum number of directors, as the case may be, or such greater number of directors as the board may from time to time determine. If the Company has fewer than three directors, all directors must be present to constitute a quorum.

For the purposes of ending the office of an Internal Auditor, the quorum required to open a meeting of the Board of Directors shall be no less than a majority of the members of the Board of Directors, notwithstanding the provisions of any other Paragraph in the By-Laws..

8.3.7. Chairman of the board of directors

8.3.7.1. The board may from time to time by also appoint a chairman of the board who shall be a director. The chairman of any meeting of the board shall be the Chairman of the Board, and in the absence of the Chairman of the Board, the board shall choose one of their number to be Chairman of the Board. The chairman of the meeting shall not be entitled to a second or casting vote..

8.3.7.2. The president[7] or a Relative of the president may only serve as chairman of the Board of Directors in accordance with the provisions of Paragraph 8.3.7.3. A person directly or indirectly subordinate to the president may not be appointed as Chairman of the Board of Directors. A director of a corporation under the Control of the Company may be appointed as Chairman of the Board of Directors of the Company.

8.3.7.3. The Chairman of the Board of Directors of the Company or a Relative thereof shall only be granted the powers of the president in accordance with the provisions of Paragraph 8.3.7.4. The Chairman of the Board of Directors of the Company shall not be granted the authorities given to a person subordinate to the president, directly or indirectly. The Chairman of the Board of Directors of the Company shall not serve in another position in the Company or in a company under the Company's Control, apart from Chairman of the Board of Directors or a director of a corporation controlled by the Company.

Notwithstanding the provisions of Paragraph 8.3.7.3, the Board of Directors may decide that for periods not exceeding three years from the date of passing the resolution referred to in Paragraph 5.1 to the By-

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7 Equivalent to the title of a CEO.

Laws, the Chairman of the Board of Directors or a Relative thereof shall be authorized to fulfil the role of president or exercise the powers of the president and to authorize that the president or a Relative thereof fulfil the function of the Chairman of the Board of Directors or exercise its powers provided that consent thereto is granted by the Audit Committee.

8.3.8. Audit committee

8.3.8.1. As of no later than three months after the date in which the Company became a Debentures Company, the Board of Directors shall by a Resolution of Directors appoint an Audit Committee. There shall be not less than three (3) Persons on the Audit Committee. The members of the Audit Committee shall be chosen from Board of Directors and shall at all times comprise of all appointed External Directors. The majority of Audit Committee members shall be either External Directors or Non-External Independent Directors.

8.3.8.2. A meeting of the Audit Committee is duly constituted for all purposes if at the commencement of the meeting there are present in person a majority of the members of the Audit Committee save that majority present are either External Director or Non-External Independent Director and at least one External Director is present.

8.3.8.3. The chairman of the audit committee shall be an external director.

8.3.9. Remuneration committee

8.3.9.1. As of no later than three months after the date in which the Company became a Debentures Company, the Board of Directors shall by Resolution of Directors appoint a Remuneration Committee.

8.3.9.2. There shall be not less than three (3) Persons on the Remuneration Committee. The members of the Remuneration Committee shall be chosen from Board of Directors and shall at all times comprise of all appointed External Directors. The majority of members of the Remuneration Committee shall be External Directors and the rest of the members shall be Directors whose terms of tenure and employment are pursuant to the provisions set forth under Section 8.3.3.8 above.

8.3.9.3. The chairman of the remuneration committee shall be an external director.

8.3.10. Indemnification

Subject to the limitations contained in the Act, the Company shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Company's request as a director or officer of a body corporate of which the Company is or was a shareholder or creditor (or a person who undertakes or has undertaken any liability on behalf of the Company or any such body corporate) and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Company or such body corporate, if:

(a) He acted honestly and in good faith with a view to the best interests of the Company; and

(b) In the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

8.3.11. Insurance

Subject to the limitations contained in the Act, the Corporation may purchase and maintain such insurance for the benefit of its directors and officers as such, as the board may from time to time determine.

8.4. Additional details

8.4.1	The registered offices of the Company in Toronto Canada	-	Urbancorp Inc 120 Lynn Williams Street Suite 2A Toronto Canada, ON M6K 3N6
8.4.2	The Lawyers of the Company for this Issuance		Shimonov & Associates. – Law Firm 11 Menachem Begin Rd., Rogovin Tidhar Tower, 23rd Floor, Ramat Gan 5268104, Israel
8.4.3	Accountant of the Company	-	Deloitte Brightman Almagor Zohar, 1 Azrieli Center , Tel Aviv 67021, Israel
8.4.4	The Trustee for Debentures (Series A)	-	Reznik Paz Nevo Trusts Ltd., 14 Yad Harutzim Street, Tel Aviv, Israel
8.4.5	Location for providing court orders in Israel	-	At: Shimonov & Associates. – Law Firm 11 Menachem Begin Rd., Rogovin Tidhar Tower, 23rd Floor, Ramat Gan 5268104, Israel

Chapter 9 – Interested parties and senior officers of the Company

9.1 Remuneration of interested parties and senior officers

In 2013, 2014 and in the first six months of 2015, no salary, management fees and/or associated expenses were paid to interested parties and officers of the Company, other than payments for services rendered by companies controlled by the controlling shareholder of the Company, as set forth in tables in sections 9.2.8 and 9.2.9 below.

9.2 Transactions with controlling shareholder

Below is information, to the best of the Company's knowledge, about all transactions with a controlling shareholder (or in which a controlling shareholder has a personal interest) contracted by the Company and/or by companies controlled thereby in the two years preceding the prospectus date or still effective as of the prospectus date:

9.2.1 Transfer of rights in corporations against issuance of shares

The rights holders (as defined in section 3.3.2 of the prospectus) have committed that, prior to listing for trading on the stock exchange of debentures (Series A) offered to the public pursuant to this prospectus, and subject to successful issuance to the public, they would transfer to the Company their rights (including indirectly through corporations owned thereby) in the transferred corporations which indirectly hold rights to rental investment property and development property in Toronto, Ontario in Canada, including liabilities with respect there to, and would assign the Company their right to the repayment of loans from entities held be them, which amounts to CAD 8,000 thousand (hereinafter together: "the **transferred rights**"), against issuance of class shares to to Urbancorp Holdco Inc, a corporation wholly-owned by Saskin, which will issue similar class shares to the Interest Holders, as set forth in section 3.3.2 of the prospectus.

It is hereby clarified that transfer of the transferred interests is not contingent on any suspensive conditions and would become effective subject to successful issuance to the public. The personal interest of the controlling shareholder in this transaction is due to the fact that they are party to said contracting.

9.2.2 Asset construction, development and marketing services agreement:

Urbancorp Toronto Management Inc.[1], a corporation controlled by the controlling shareholder of the Company (hereinafter: "the **Management Company**") shall be eligible to receive from time to time payment of management fees for construction services in the amount of 3.5% of total construction costs of the projects constructed by the Group. For this matter of the Construction Services, construction costs include all construction costs on site, including materials, contractors, sub-contractors, architects, consultants, employees and permits. The Management Company is also entitled to a development and marketing fee in an amount of CAD 7,500 per residential unit developed by the Group. The controlling shareholder may reduce the aforementioned management fee rates for specific projects at their own discretion.

The Management Fees paid pursuant to the construction development and marketing agreement are in amounts prevailing in the market and in rates similar to the management fees paid to the Management Company prior to the date of publication of the Prospectus. For details regarding the construction development and marketing agreement existing on the date of publication of the Prospectus, see section 9.2.9 below.

Following are the details regarding the total consideration paid for construction, development and marketing services in years 2013, 2014 and six-month period ended on June 30, 2015:

	For The Six Months Ending June 2015	For The Year Ending December 31	
		2014	2013
	(In thousands of CAD)		
Total construction , development and marketing Services Fees	*2,839	5,137	1,789

* Fee was piad after the FS date for services provided during the mentioned period.

On November 29, 2015, this contracting was approved by the Company Board of Directors and by the General Meeting of Company shareholders.

The personal interest of the controlling shareholder in this transaction is due to the fact that the management company controlled thereby is party to said contracting.

The aforementioned agreement would be in effect for the term of debentures (Series A) and would expire when no debentures (Series A) remain outstanding.

9.2.3 Asset management agreement

[1] The controlling shareholder may assign the property management agreement to other companies wholly-controlled by them.

The management company contracts from time to time with some Group companies that hold residential and/or commercial rental properties (hereinafter in this section: "**The Property Company**") management agreements whereby the property company provides management services to properties of the Property Company (hereinafter in this section: "the **Property**" and "The **Property Management Agreement**"). In consideration for providing the property management services, the management company shall be eligible to receive an amount equal to 3.5% of total rent revenues (gross)[2] for the property (hereinafter in this section: "**Property Management Fee**"), the controlling shareholder may reduce the property management fee rate for specific properties at their own discretion.

The Property Management Fees paid pursuant to the Property Management Agreement are in amounts prevailing in the market and in rates similar to the management fees paid to the Management Company prior to the date of publication of the Prospectus. For details regarding the Property Management Agreement, existing on the date of publication of the prospectus, see section 9.2.9 below.

Following are the details regarding the total consideration paid for Management Fees in years 2013, 2014 and six-month period ended on June 30, 2015:

	For The Six Months Ending June 2015	For The Year Ending December 31	
		2014	2013
	(In thousands of CAD)		
Total Management Fees	0	773	594

On November 29, 2015, this contracting was approved by the Company Board of Directors and by the General Meeting of Company shareholders.

The personal interest of the controlling shareholder in this transaction is due to the fact that the management company controlled thereby is party to said contracting.

The aforementioned agreement would be in effect for the term of debentures (Series A) and would expire when no debentures (Series A) remain outstanding.

9.2.4 Comprehensive services agreement with the management company

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2 "Total revenues (gross)" composed of total revenues from regular property management operations, including: rent, tenant deposits and other revenues such as: revenues from parking services, revenues from laundry services, revenues from rental lockers, revenues from other services etc. "Total revenues (gross)" excludes interest on deposits, sales revenues, indemnification for any damage or claim un-related to rental.

The Company was incorporated for issuance of Company debentures (Series A), offered pursuant to this prospectus in Israel and the transferred rights will be transferred to the Company prior to listing the Company debentures (Series A), offered pursuant to this prospectus for trading, as set forth in section 9.2.1 above. Therefore, as of the prospectus date, the Company has no independent operations and management with regard to its operating segment operations as listed in this prospectus.

The Company intends to contract, in proximity to the issue date of debentures (Series A), with the management company a comprehensive services agreement (hereinafter: "**The Services Agreement**"), whereby the management company would provide the Company with one-stop-shop services anciliary to its operations, such as: acquisitions and investments, financing, marketing, legal advice, accounting and financial reporting, supervision of property management, officer services, communications, IT, secretarial services[3] as well as services of the Chairman of the Board of Directors, CEO and CFO (hereinafter: "**The Management Services**") with management services to be provided by Urbancorp employees from Group HQ in Toronto, Canada, including through officers of the Company[4]. The services agreement would become effective upon completion of the issuance pursuant to this prospectus and shall remain effective through the term of Company debentures, expiring when no more outstanding debentures shall remain. Note that this services agreement is first compiled in view of the issue of debentures offered pursuant to this prospectus.

The fixed annual consideration for services to be rendered to the Company pursuant to the comprehensive services agreement is CAD 1.5 million per annum (hereinafter: "**the Total Consideration**").

The total consideration is payable to the management company in 12 monthly installments.

Note that the Company believes the total consideration to be reasonable, given the range of services provided to the Company under the comprehensive services agreement, if not more than reasonable, with regard to the Company size, scope of services to be provided to the Company and the responsibility associated with providing management services to the Company, complexity of Company business and the quality of services to be provided to the Company and the cost of employment of Urbancorp Group employees who are to provide management services to the Company. Also note that the total consideration is paid directly to the management company - rather than to Urbancorp employees who would be providing the services.

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3 General secretarial services, as opposed to "Corporate Secretary".

4 Note that the management company may decide on a change in identity of officers, subject to the approval by the Company Board of Directors.

Note that the total consideration is in addition to the management fee with respect to asset development and marketing agreements, with respect to the construction services agreement and with respect to property management agreements - which are payable to the management company that provides such services to Company projects.

The management company, by its own decision and at its own discretion solely, may terminate the services agreement by 90 days' advance notice from the management company to the Company; furthermore, the management company may replace the officers from time to time, subject to prior approval by the Company Board of Directors.

On November 29, 2015, this contracting was approved by the Company Board of Directors and by the General Meeting of Company shareholders. The personal interest of the controlling shareholder in this transaction is due to the fact that the management company controlled thereby is party to said contracting.

9.2.5 Commitment to delimit activities of the controlling shareholder[5]

For more information about of a commitment to delimit operations of the controlling shareholders, see section 7.1.5 of the prospectus.
The personal interest of the controlling shareholder is due to the fact that they are party to the unilateral commitment for as long as they are controlling shareholders of the Company.

9.2.6 Commitment by the controlling shareholder and by the Company with regard to application of Isreali law

The controlling shareholder and the Company have committed not to object to any motion by the Trustee and/or holders of debentures (Series A) to be filed with a Court of Law in Israel, seeking to apply Israeli law with regard to any settlement, arrangement and insolvency, if filed; shall not apply to any Court of Law outside Israel for protection against any proceeding launched by the Trustee and/or holders of Company debentures (Series A); and shall not object should a Court of Law in Israel seek to apply Israeli law with regard to any settlement, arrangement and insolvency.

9.2.7 Pledging holdings of a Company subsidiary for securing the liability of other companies owned by the controlling shareholder

To secure cross collateralized loans extended on November 25, 2014 by a financial institution (the lender) to Vestaco Homes Inc, a Company subsidiary

5 The commitment by the controlling shareholder to delimit their activities shall apply for as long as they are controlling shareholders of the Company.

(100%) that holds title to the Bridge Geothermal System ("**the Subsidiary**"), and another company owned by the controlling shareholder ("**the Other Company**"), the balance of which as of June 30, 2015 is CAD 1,171,428 to be payable on November 25, 2019 (in this sub section: "**the Loans**"). For securing the Loans the holdings in the Subsidiary and the holdings in the Other Company were pledged in their entirety in favor of the lender. The Company estimates that said loans shall be repaid on time.

9.2.8 The land lease agreement in connection with a geothermal system of the Bridge project

Following section 9.2.7 above, on July 10, 2010, the Subsidiary entered into a lease agreement with the Other Company (as those are defined in section 9.2.7 above) under which the Other Company provides to the Subsidiary a land, adjacent to the Bridge Project for the purpose of positioning the geothermal system's wells of the geothermal system of Bridge project until July 9, 2060[6], in exchange for a nominal annual cost of use of the land, which amounts to CAD $100.

9.2.9 Guarantees provided by the controlling shareholders to secure obligations of property companies and commitment to indemnify with respect to environmental regulations by the controlling shareholders

In the normal course of Company business, subsidiaries of the Company have contracted financing agreements for acquisition of real estate properties. In these agreements, the controlling shareholder provides, for no consideration, to the property companies personal guarantees in favor of third parties to secure obligations of the subsidiaries, of one or more guarantee types as listed below:

a. "Bad Boy" guarantee – a guarantee that is provided from time to time by the controlling shareholder to secure obligations by third parties against loss incurred by such third parties (or parties related there to) in extreme cases ("Bad Acts"), such as environmental pollution, negligent misrepresentations, fraud, deception, larceny, breach of certain contractual stipulations etc. - which does not secure the actual debt repayment, except in cases of breach of material contractual stipulations involving bankruptcy of the property company, property transfer etc. Note that some Bad Boy guarantees may be exercised, *inter alia*, upon a non-allowed transfer in the loan agreements for which the guarantee has been provided.

b. Financial guarantee to secure bank debt and/or financial corporation – Guarantees provided by the controlling shareholder, which may be realized

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6 The Subsidiary unilateral option to extend the agreement up for the duration of the supply agreement in connection with the aforesaid geothermal property, including extensions, if any.

to secure financial obligations of the subsidiaries. Below is information about such existing financial guarantees as of this date:

No.	Project name	Borrowing company	Original Loan Amount (CAD in thousands)	Guarantee provided by the controlling shareholder	Guarantee amount as of June 30, 2015 (CAD in thousands)	Financial obligation by the controlling shareholder and/or the guarantor / comments
1.	Lawrence	Urbancorp (Lawrence) Inc.	8,696	Personal, irrevocable guarantee by Saskin and the management company, jointly and severally, to secure all borrower obligations with regard to the loan, including principal and interest payments with respect to the loan.	7,894	The controlling shareholder also guarantees the payment of fee in the amount of CAD 3 thousand per unit, but not less than CAD 452 thousand.
2.	Mallow	Urbancorp (Mallow) Inc.	12,750	Personal, irrevocable guarantee by Saskin and the management company, jointly and severally, to secure all borrower obligations with regard to the loan, including principal and interest payments with respect to the loan.	12,750	The controlling shareholder also guarantees the payment of fee in the amount of CAD 15 thousand per unit, but not less than CAD 600 thousand.
3.	Patricia	Urbancorp (Patricia) Inc.	1. 7,700 2. 2,100 3. 2,100.	Personal, irrevocable guarantee by Saskin and the management company, jointly	1. 7,700 2. 2,100 3. 2,100	The controlling shareholder also guarantees the payment of fees in the amount of

No.	Project name	Borrowing company	Original Loan Amount (CAD in thousands)	Guarantee provided by the controlling shareholder	Guarantee amount as of June 30, 2015 (CAD in thousands)	Financial obligation by the controlling shareholder and/or the guarantor / comments
				and severally, to secure all borrower obligations with regard to the loans, including principal and interest payments.		CAD 6 thousand per unit, but not less than CAD 250 thousand.
4.	952 Queen West	Urbancorp (952 Queen West) Inc.	7,000 2,818	Personal, irrevocable guarantee by Saskin and the management company, jointly and severally, for securing the borrower's obligations in connection with the loans, as aforesaid.	7,000 2,818	---
5.	1071 King Street West	Urbancorp Partner (King South) Inc.	4,105	Irrevocable guarantee by the management company for securing the borrower's obligations in connection with the loan,	4,105	---
6.	St. Clair	840 St. Clair West Inc.	7,380	Personal, irrevocable guarantee by Saskin and the management company, jointly and severally, for	7,380	---

No.	Project name	Borrowing company	Original Loan Amount (CAD in thousands)	Guarantee provided by the controlling shareholder	Guarantee amount as of June 30, 2015 (CAD in thousands)	Financial obligation by the controlling shareholder and/or the guarantor / comments
				securing the borrower's obligations in connection with the loans, as aforesaid.		
7.	Geothermal assets	Vestaco Homes Inc. and King Towns North Inc., an entity controlled by the Controlling Shareholder.	1,200	Guarantee, jointly and severally by: **Saskin,** Renewable Power Inc., a company wholly owned (100%) by the controlling shareholder, Urbancorp Power Holdings Inc. a company owned by the Company and by King Towns North Inc.	1,178	---
8.	Bridge	King Residential Inc.	1,390	Personal, irrevocable guarantee by Saskin to secure all borrower obligations with regard to the loan, including principal and interest payments with respect to the loan.	1,352	---
9.			1,156		1,144	
10.	Curve/ Westside	Urbancorp Residential Inc.	1,645	Personal, irrevocable guarantee by Saskin to secure all borrower	1,485	---
11.			1,700		1,591	

No.	Project name	Borrowing company	Original Loan Amount (CAD in thousands)	Guarantee provided by the controlling shareholder	Guarantee amount as of June 30, 2015 (CAD in thousands)	Financial obligation by the controlling shareholder and/or the guarantor / comments
				obligations with regard to the loan, including principal and interest payments with respect to the loan.		
12.	Caledonia (St. Clair Village)	Urbancorp (St. Clair Village) Inc.	7,380	Personal, irrevocable guarantee by Saskin and the management company, jointly and severally, for securing the borrower's obligations in connection with the loans, as aforesaid.	7,380	The controlling shareholder also guarantees the payment of a fee in the amount of CAD 5 thousand per unit, but shall not be less than CAD 205 thousand.
13.	Downsview	Urbancorp Downsview Park Development Inc.	4,500	Personal, irrevocable guarantee by Saskin to secure all borrower obligations with regard to the loan, including principal and interest payments with respect to the loan.	4,500	---
14.	Edge	Edge Residential Inc.	3,700	Personal, irrevocable guarantee by Saskin and the management company, jointly	3,700	---

No.	Project name	Borrowing company	Original Loan Amount (CAD in thousands)	Guarantee provided by the controlling shareholder	Guarantee amount as of June 30, 2015 (CAD in thousands)	Financial obligation by the controlling shareholder and/or the guarantor / comments
				and severally, for securing the borrower's obligations in connection with the loans, as aforesaid.		

c. Performance guarantee – guarantees given from time to time to secure contractual obligations with regard to construction requirements from property companies (typically with regard to completion of work on budget and at appropriate quality). As of the prospectus date there are no outstanding performance guarantees.

9.2.10 Agreements for service provision to subsidiaries of the Company by companies affiliated with the controlling shareholder of the Company

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
Asset development and marketing agreements	Fuzion	On June 1, 2010, Urbancorp New Kings Inc., a company indirectly wholly-owned (100%) by the Company and King Liberty North Corporation, a company which, to the best of the Company's knowledge, is held by First Capital Realty (hereinafter jointly in this box: "the **partners**") contracted an agreement with Urbancorp Toronto Management Inc., a company wholly-owned by the controlling shareholder of the Company (hereinafter in this box: "the **development and marketing company**") for provision of services as described below (hereinafter in this section: "the **agreement**").	The development and marketing company provided development and marketing services to the partners, including *inter alia*: provision of consulting with regard to required approvals for project development, consulting on marketing of the apartments, consulting on project development planning, negotiation of terms and conditions in sales agreement for the apartments etc.	The agreement was terminated in the first quarter of 2014 upon completion of the project.	In consideration for providing the development and marketing services, the partners paid a commission amounting to CAD 1,265 thousand. The partners have committed to indemnify the marketer or anyone on behalf thereof in case of any tort claims directly or indirectly related to provision of the services, other than in case of gross negligence, fraud etc.

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
	Kingsclub	On July 24, 2015 Urbancorp New kings Inc. a company fully held (100%) by indirect holding by the Company and by King Liberty North Corporation, a company held, to the best knowledge of the Company, by First Capital Realty (collectively in this box: **"the Partners"**) engaged in an agreement with Urbancorp Toronto Management Inc. a company wholly owned by the company's controlling shareholder (in this box: **"the Development and Marketing Company"**) for providing services as detailed below, which is effective as of January 1, 2011 (in this box: **"the Agreement"**).	The Development and Marketing Company shall provide development and marketing services to the partners which include, among others, contracting with and supervising subcontractors, providing consulting for the purpose of approvals that are required to develop the project, consulting on performing the marketing of the apartments, consulting on planning the project development, preparation of a working budget for the project, conducting	Pursuant to the provisions of the agreement, the partners may terminate the agreement (at the end of a period of 10 or 30 days of failure to cure the breach, as the case may be) in the following cases: in the event of a bad act or breach of obligations by the Development and Marketing Company; breach of the partnership agreement of the partners (described in section 7.14 of the prospectus) by the Development and Marketing Company;	In return for providing the development and marketing services, the partners shall pay a commission of CAD 6,500 per residential unit payble in 24 equal monthly installments, which will be paid by drawing amounts from the construction loan in respect of the property. For further details regarding the construction loan, see section 7.7.6.2 to the prospectus. An amount equal to 10% of the above mentioned consideration will be held by the partners and will not be

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
			negotiations regarding the sale agreements of the apartments etc. It is noted that the development services for the part of the project designated for commercial use only, will be performed by a subsidiary of King Liberty North Corporation, and not by the Development and Marketing Company.	transfer of the Development and Marketing Company's rights in the agreement without the consent of the Company's partner; if Suskin does not hold all the rights in the Development and Marketing Company or ceases to be the president or a director of the Development and Marketing Company.	paid to the Development and Marketing Company until the acquisition of one-third of the rights in the project by a third party, as described in section 7.7.6.2 to the prospectus, and will be paid in accordance with the mechanism described in the Agreement. The partners commit to indemnify the Development and Marketing Company or anyone on its behalf in cases of claims for damages related directly or indirectly to the provision of services

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
					other than in cases of gross negligence, etc. the Development and Marketing Company shall indemnify the partners for expenses resulting from a damage it caused from breaching the agreement.
	St. Clair	On December 12, 2011, Urbancorp 60 St. Clair Inc., a company indirectly wholly-owned (100%) by the Company and Hendrick and Main Development Inc. (hereinafter jointly in this box: "the **partners**") contracted an agreement with Urbancorp Toronto Management Inc., a company wholly-owned by the controlling shareholder of the Company (hereinafter in this box: "the	The development and marketing company shall provide development and marketing services to the partners, including *inter alia*: provision of consulting with regard to required approvals for project development, consulting on	In conformity with provisions of the agreement, the partners may terminate the agreement in case of any Bad Act breach by the development and marketing company.	In consideration for providing the development and marketing services, the partners shall pay a commission amounting to CAD 5,000 per residential unit in the project, payable in 24 equal monthly installments. The agreement stipulates

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
		development and marketing company") for provision of services as described below (hereinafter in this section: "the **agreement**"). The agreement shall be in effect until the development and marketing company has completely provided all services set forth in the agreement, including transfer of title to the ultimate tenants.	marketing of the apartments, consulting on project development planning, negotiation of terms and conditions in sales agreement for the apartments etc.		that 10% of the consideration shall be withheld by the partners pending delivery of title for all apartments to the ultimate tenants. The partners have committed to indemnify the development and marketing company or anyone on behalf thereof in case of any tort claims directly or indirectly related to provision of the services, other than in case of gross negligence, fraud etc. The development and marketing company shall indemnify the

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
					partners for any expenses incurred due to damage caused by breach of the agreement by the former.
	1071 King	On November 16, 2011, Urbancorp Partner (king south) Inc. and First Capital 1071 Corporation (hereinafter: "the **partners**") contracted an agreement with Urbancorp Toronto Management Inc. (hereinafter: "the **management company**"), a company wholly-owned by the controlling shareholder (hereinafter: "the **agreement**") for provision of services as set forth below. The agreement shall be in effect until the development and	Negotiating with public authorities; planning, division and preparation of applications accordingly; co-ordination of consultants and professionals and supervision of their work; reporting to the partners on economic and legal issues; preparation of a marketing plan; preparation and	In case of any Bad Act, any fraud, insolvency or legal dissolution of the management company; should Alan Saskin cease to be the sole shareholder, Chairman and CEO of the Company; should the capacity of the management company or Saskin to fulfill the agreement be significantly impaired;	In consideration for services to be rendered by the management company, it would be eligible for payment amounting to CAD 5,000 per residential unit (assuming 150 units - a total of CAD 750,000) in 24 equal monthly installments, starting upon the first withdrawal of project financing funds. Pursuant to the agreement, the partners

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
		marketing company has completely provided all services set forth in the agreement.	conducting of periodic update meetings;		would withhold 10% pending completion of title transfer to buyers of the residential units.
	Downsview	The management company shall advise the partner of the Company in the project, in its capacity as a development manager of the property, for 1.5% of the project's proceeds. According to the terms of the agreement, the proceeds from the consulting shall be forwarded to the management company only after the development manager received at least CAD 13,200 thousand for providing development services.			
Construction agreements	The Bridge	On March 24, 2010, Urbancorp The Bridge Inc., a subsidiary of the Company (hereinafter in this box: "the **property company**") contracted an agreement with Urbancorp Toronto Management Inc., a company wholly-owned by the controlling shareholder of the Company (hereinafter in this box: "the **construction company**") for provision of services as described below (hereinafter in this section: "**the agreement**"). The agreement shall be in effect until the construction company has	The construction company shall provide project construction services to the property company, including control of project expenses and compliance with the budget, consulting with regard to construction plans, negotiations with suppliers, supervision and management of the construction process, consulting with regard	The property company may unilaterally terminate the agreement should the construction company be in breach of its obligations pursuant to the management agreement for 30 days or longer.	In consideration for providing the construction services, the construction company would be eligible to receive consideration amounting to CAD 5,000 per residential unit to be constructed in the project. Payment would be in monthly installments; with respect to Phase I of the project (construction of

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
		completely provided all services set forth in the agreement.	to obtaining construction permits etc.		333 units), the monthly installment would be at $^{1}/_{18}$ of total commission and with respect to Phase II of the project (construction of 184 units), the monthly installment would be at $^{1}/_{15}$ of total expected commission.
	Fuzion	On June 1, 2010, Urbancorp New Kings Inc., a company indirectly wholly-owned (100%) by the Company and King Liberty North Corporation, a company which, to the best of the Company's knowledge, is held by First Capital Realty (hereinafter jointly in this box: "the **partners**") contracted an agreement with Urbancorp Toronto	The construction company has provided project construction services to the partners, including control of project expenses and compliance with the budget approved by the partners, consulting with regard to	The agreement was terminated in the first quarter of 2014 upon completion of the project.	In consideration for providing the construction services, the construction company was eligible to receive consideration equal to 3% of the project hard costs[1], with total consideration not to exceed CAD 1,064

[1] In this box, "hard costs" means all costs specified in the initial project budget which were classified as under-ground construction costs, residential costs and work site costs.

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
		Management Inc., a company wholly-owned by the controlling shareholder of the Company (hereinafter in this box: "the **construction company**") for provision of services as described below (hereinafter in this section: "the **agreement**").	construction plans, negotiations with suppliers, supervision and management of the construction process, consulting with regard to obtaining construction permits etc.		thousand. In conjunction with this agreement, the partners have committed to indemnify the construction company, or anyone on behalf thereof, for any damage directly or indirectly associated with its operations, for any damage incurred, directly or indirectly, with respect to provision of the services, other than in cases of gross negligence, lack of good faith or fraud by the construction company. Conversely, the construction company has committed to

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
					indemnify the property company for any damage arising from cases of gross negligence, lack of good faith or fraud by the construction company.
	Kingsclub	On July 24, 2015, Urbancorp New Kings Inc. a company fully held (100%) by indirect holding by the Company and by King Liberty North Corporation, a company held, to the best knowledge of the Company, by First Capital Realty (collectively in this box: the partners), entered into an agreement with Urbancorp Toronto Management Inc. a company wholly owned by the company's	The Construction Company shall provide construction services of the project to the partners including controlling the project expenses and complying with the budget that was approved by the partners, consulting on construction plans,	Pursuant to the provisions of the agreement, the partners may terminate the agreement (at the end of a period of 10 or 30 days of failure to cure the breach, as the case may be) in the following cases: in thr event of a bad act or	In return for providing the construction services, the Construction Company shall be entitled to a consideration equaling 3.5% of the Hard Costs[2] of the project, which will be paid by drawing amounts from the construction loan in respect of the property

[2] In this box, "hard costs" means all costs specified in the initial project budget which were classified as under-ground construction costs, residential costs and work site costs.

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
		controlling shareholder (in this box: the Construction Company) for providing services as detailed below, which is effective as of January 1, 2011 (in this box: **the agreement**).	conducting negotiations with suppliers, supervising and managing the construction process, consulting on the obtainment of building permits and more.	breach of obligations by the Construction Company; breach of the partnership agreement of the partners (described in section 7.14 of the prospectus) by the Construction Company; transfer of the Construction Company's rights in the agreement without the consent of the Company's partner; if Suskin does not hold all the rights in the Construction Company or ceases to be the president or a director of the Construction Company.	in insalments that are proportionate to the percentage of completion of the project. For further details regarding the construction loan, see section 7.7.6.2 to the prospectus. An amount equal to 10% of the above mentioned consideration will be held by the partners and will not be paid to the Construction Company up to the release of guarantees and loans that were provided or taken in connection with the construction project, in accordance with the mechanism provided for

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
					in the agreement. Pursuant to the agreement, the partners committed to indemnify the Construction Company or anyone on its behalf in cases of claims for damages related directly or indirectly to the provision of services other than in cases of gross negligence, bad faith, or fraud of the Construction Company. On the other hand, the Construction Company committed to indemnify the asset company for damages resulting from gross negligence, bad faith or fraud of the Construction Company.

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
	1071 King	On November 16, 2011, Urbancorp Partner (King South) Inc. and First Capital 1071 Corporation contracted an agreement with Urbancorp Toronto Management Inc. (hereinafter: "the **Construction Company** "), a company wholly-owned by the controlling shareholder (hereinafter: "the **agreement**") for provision of services as set forth below. The agreement shall be in effect until the Construction Company has completely provided all services set forth in the agreement.	Project construction management; safety and health issues; budget preparation together with the manager; carrying out all required planning activities vis-à-vis authorities; management of consultants and service providers; negotiating on behalf of the partnership; reporting to the partnership on these matters; preparing and leading status and monitoring meetings with the partners.	In case of any Bad Act, any fraud, insolvency or legal dissolution of the Construction Company; should Alan Saskin cease to be the sole shareholder, Chairman and CEO of the Company; should the capacity of the Construction Company or Saskin to fulfill the agreement be significantly impaired;	Consideration at 3% of project hard costs, plus all expenses, including office expenses and payroll expenses based on employee commitment to the project - payable monthly based on project progress. The project manager shall withhold 10% pending completion of proceedings required for release of the Tarion guarantee. For information about the aforementioned guarantee, see chapter 7 of the prospectus.
	St. Clair	On November 12, 2011, Urbancorp	Project construction	Pursuant to the	n return for construction

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
		60 St. Clair Inc, a company fully held (100%) by the Company and - Hendrick and Main Development Inc. ((The "**Partners**"), contracted an agreement with Urbancorp Toronto Management Inc. (hereinafter: "the **Construction Company**"), a company wholly-owned by the controlling shareholder (hereinafter: "the **agreement**") for provision of services as set forth below. The agreement shall be in effect until the construction company has completely provided all services set forth in the agreement.	management; safety and health issues; budget preparation together with the manager; carrying out all required planning activities vis-à-vis authorities; management of consultants and service providers and negotiating on behalf of the partnership; reporting, preparing and leading status and monitoring meetings regarding the construction of the Project.	provisions of the Agreement, the partners entitled to terminate the Agreement in case of violation related to the financial interest or something else (the passage of 10 days or 30 days, respectively) in the following cases: Insolvency of the Construction Company, in case of an negligent event, failure to perform tasks, rights transfer agreement, the construction company without the consent of Hendrick and Main Development Inc and, in the case where Alan	services and construction company will be entitled to - 3% of project hard costs, plus all expenses, including office expenses and payroll expenses based on employee commitment to the project - payable monthly based on project progress. The project manager shall withhold 10% pending completion of proceedings required for release of the Tarion guarantee. For information about the aforementioned guarantee, see chapter 7 of the prospectus.

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
				Sskin not hold all the rights in the building or ceases to be President or Director of Construction.	
Management Agreement	Bridge Condo Rentals	On January 1, 2014, King Residential Inc., a wholly owned (100%) of the Company (the "**Property Company**"), entered into an agreement with Urbancorp Toronto Management Inc., (the "**Management Company**"), a wholly owned subsidiary of the controlling shareholder (hereinafter in this box: "**Parties**" and "**the Agreement**") for the provision of management services for the residential rental units of Bridge Condo Rentals project (hereinafter in this box: "**Residential Units**" and "**Project**", respectively). The agreement is valid for one year and is renewable automatically for an additional period of one year each time, until the delivery of notice of	Management, operation, maintenance, repair and administration services including accounting, required for the operation and lease of the residential units, (Hereafter: "Management **Services**").	Throughout the period of the agreement, the parties may terminate the agreement, for any reason, on the last day of each calendar month, upon sixty (60) days written notice.	In consideration for the Management Services, the Management Company shall be entitled to 5% of the total revenues (gross) from the lease of the Residential Units ("**the Consideration**"). Includes office expenses of the Management Company directly related to the provision of the Management Services, but does not include office expenses directly related to the office of the Property

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
		termination as set forth herein.			Company and/or payments incurred by the Property Company. Also, it is clarified that the Consideration is not subject to payment of tax.
	Edge	On January 1, 2015, Edge Residential Inc., a corporation fully owned (100%) by the Company (the "**Property Company**"), entered into an agreement with Urbancorp Toronto Management Inc., (the "**Management Company**"), a wholly owned subsidiary of the controlling shareholder (hereinafter in this box: "**Parties**" and "**the Agreement**") for the provision of management services for the residential rental units of the Edge project (hereinafter in this box: "**Residential Units**" and "**Project**", respectively). The	Management, operation, maintenance, repair and administration services including accounting, required for the operation and lease of the residential units, (Hereafter: "Management **Services**").	Throughout the period of the agreement, the parties may terminate the agreement, for any reason, on the last day of each calendar month, upon sixty (60) days written notice.	In consideration for the Management Services, the Management Company shall be entitled to 5% of the total revenues (gross) from the lease of the Residential Units ("**the Consideration**"). Includes office expenses of the Management Company directly related to the provision of the Management Services, but does not include office expenses

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
		agreement is valid for one year and will be renewed for an additional period of one year			directly related to the office of the Property Company and/or payments incurred by the Property Company. Also, it is clarified that the Consideration is not subject to payment of tax.
	Westside / Curve	On January 1, 2015, Urbancorp Residential Inc., a wholly owned (100%) of the Company (the "**Property Company**"), entered into an agreement with Urbancorp Toronto Management Inc., (the "**Management Company**"), a wholly owned subsidiary of the controlling shareholder (hereinafter in this box: "**Parties**" and "**the Agreement**") for the provision of management services in relation to the residential rental units of the Westside / Curve project	Management, operation, maintenance, repair and administration services including accounting, required for the operation and lease of the residential units, (Hereafter: "Management **Services**").	Throughout the period of the agreement, the parties may terminate the agreement, for any reason, on the last day of each calendar month, upon sixty (60) days written notice.	In consideration for the Management Services, the Management Company shall be entitled to 5% of the total revenues (gross) from the lease of the Residential Units ("**the Consideration**"). Includes office expenses of the Management Company directly related to the provision of the Management

Agreement type	Project name	Parties to the agreement and contracting date	Description of services provided pursuant to the agreement	Early termination of the agreement	Consideration
		(hereinafter in this box: "**Residential Units**" and "**project**", respectively). The agreement is valid for one year and will be renewed for an additional period of one year.			Services, but does not include office expenses directly related to the office of the Property Company and/or payments incurred by the Property Company. Also, it is clarified that the Consideration is not subject to payment of tax.

9.2.11 Geothermal

In conjunction with delivery agreements with regard to the Company's geothermal assets listed in section 7.9 of the prospectus, each property company of the projects listed above has contracted an agreement with Urbancorp Renewable Power Inc., a company wholly-owned (100%) by Saskin (hereinafter: "the **geothermal asset management company**"), whereby the geothermal asset management company would provide maintenance, collection, bookkeeping, budgeting and consulting services with regard to the geothermal assets (hereinafter: "**geothermal asset management services**"). Pursuant to agreements between the aforementioned property companies and the geothermal asset management company, the consideration for the geothermal asset management services (hereinafter: "**geothermal asset management consideration**") shall be split as follows: 95% of the geothermal asset management consideration shall be transferred to the Company and 5% of the geothermal asset management consideration shall be transferred to the geothermal asset management company. For more details, see section 7.9 of the prospectus.

The geothermal asset management company shall contract, from time to time, with the property companies which would hold geothermal assets (if any) for provision of geothermal asset management services, soon prior to signing the supply agreements with respect to the geothermal assets (if any), as set forth above.

On November 29, 2015, this contracting was approved by the Company Board of Directors and by the General Meeting of Company shareholders. The personal interest of the controlling shareholder in this transaction is due to the fact that the geothermal asset management company controlled thereby is party to said contracting.

The aforementioned agreement would be in effect for the term of debentures (Series A) and would expire when no debentures (Series A) remain outstanding.

9.2.12 Sale of Sales office of Edge project to a company owned by the controlling shareholder

On January 25, 2012 a company owned by the controlling shareholder, holding a project which is not transferred to the Company as part of the rights transferred (the "**Other Project**"), engaged in an agreement to acquire the sales office of Edge project, which is in an area of about 3,378 SF (the "**Sales Office**"), in consideration for CAD 1,450 thousand (the "**Acquisition Consideration**"). The Sales Office was transferred to

the Other Project company at the time of purchase, when Company's assessment is that the Acquisition Consideration is expected to be paid in the first quarter of 2016, with the completion of the Another Project.

9.3 Indemnification and insurance

9.3.1 Officer liability insurance policy

By the issuance date, the Company intends to contract a Board member and officer liability insurance policy for the Company, its subsidiaries and affiliates and to approve inclusion on said insurance policy and on future insurance policies, of Board members and officers serving these companies on behalf of the Company and/or on behalf of subsidiaries.

9.3.2 Commitment to indemnify Board members and officers

By the issuance date, the Company intends to provide letters of indemnification to Board members and officers of the Company, its subsidiaries and affiliates, pursuant to statutory provisions.

9.4 Securities holdings of interested parties and officers

To the best of the knowledge of the Company and Board members thereof, holdings of interested parties and senior officers in shares of the Company soon prior to the prospectus issue date and 12 months prior there to (the incorporation date of the Company) are as follows:

Holder name	Upon the prospectus date		Upon incorporation of the Company (June 19, 2015)	
	Ordinary shares	Percentage of issued and paid-in share capital and of voting rights of the Company	Ordinary shares	Percentage of issued and paid-in share capital and of voting rights of the Company
Urbancorp Holdco Inc., a corporation fully controlled by. Alan Saskin	100	100%	100	100%

[Please confirm that there are no balances for interested parties on the financial statements]

Chapter 11 - Additional Details

11.1 Attorney's Opinion

The Company has received the following legal opinions:

SHIMONOV & Co.

law firm

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Barak Baruch
Eyal Natanian
Maayan Blumenfeld
Benjamin Ben Zimra
Asaf Ohayon
Yaniv Yotam Kleiman

ישראל שמעונוב
אורן אלקבץ
יונתן רובינזון
ניר כהן ששון
דודי ברלנד
איגור כץ
לירון עזריאל
קורין ביטון
שירן מנור
רן פלדר
ברק ברוך
איל נתניאן
מעיין בלומנפלד
בנימין בן זמרה
אסף אוחיון
יניב יותם קליימן

Ramat Gan, November 30, 2015
Our ref: 5110

To:
Urbancorp Inc.

Dear Sir/Madam,

Re: **Supplementary Prospectus Regarding the Public Offering of Securities of Urbancorp Inc. (hereinafter and respectively: the "Offered Securities" and the "Company")**

At your request, in reliance upon the opinion of the Company's legal advisors in the province of Ontario, Canada, we hereby wish to confirm that:

a. The rights attached to the securities being offered by you and the rights attached to the existing shares in the Company's capital have been correctly described in the Supplementary prospectus pursuant to which the Company's intention is to offer the above-referenced securities (hereinafter: the "**Prospectus**").

b. The Company is authorized to issue the above-referenced securities in such manner as described in the Prospectus.

c. The directors of the Company have been duly appointed and their names are included in the Prospectus.

We hereby agree that this opinion shall be included in the Prospectus.

Sincerely yours,

Nir Cohen Sasson	**Ran Felder**
Attorney at Law	**Attorney at Law**

Shimonov & Co. Law Firm

SHIMONOV & Co.

law firm

מגדל רוגובין תדהר, קומה 23, דרך מנחם בגין 11, רמת גן 5268104
Rogovin Tidhar Tower, 23rd fl.
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Corinne Bitton
Shiran Manor
Ran Felder
Barak Baruch
Eyal Natanian
Maayan Blumenfeld
Benjamin Ben Zimra
Asaf Ohayon
Yaniv Yotam Kleiman

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בנימין בן זמרה
אסף אוחיון
יניב יותם קליימן

Ramat Gan, December 7, 2015
Our ref: 5110

To:
Urbancorp Inc.

Dear Sir/Madam,

Re: **Supplementary Prospectus Regarding the Public Offering of Securities of Urbancorp Inc. (hereinafter: the "Company") dated November 30, 2015, as been amended by an amendment of the prospectus dated December 7, 2015 (hereinafter: the "Prospectus")**

At your request, in reliance upon the opinion of the Company's legal advisors in the province of Ontario, Canada, we hereby wish to confirm that:

a. The rights attached to the securities being offered by you and the rights attached to the existing shares in the Company's capital have been correctly described in the prospectus pursuant to which the Company's intention is to offer the above-referenced securities (hereinafter: the "**Prospectus**").

b. The Company is authorized to issue the above-referenced securities in such manner as described in the Prospectus.

c. The directors of the Company have been duly appointed and their names are included in the Prospectus.

We hereby agree that this opinion shall be included in the Prospectus.

Sincerely yours,

Nir Cohen Sasson **Attorney at Law**	**Ran Felder** **Attorney at Law**	**Eyal Natanian** **Attorney at Law**

Shimonov & Co. Law Firm

11.2 **Indemnity Undertaking**

The Company undertakes to Shimonov & Co. Law Firm that should a demand be made against Shimonov & Co. Law Firm or any of its attorneys or employees (hereinafter: the "**Opinion Givers**") for the payment of any amount to a third party, including, but without derogating from the generality of the foregoing, to the shareholders of the Company, to the creditors and/or to the Company, in respect of grounds that may arise, directly or indirectly, from the opinion which has been given by the Opinion Givers to the Company and which is presented in section 11.1 above (hereinafter: the "**Opinion**"), then the Company shall indemnify the Opinion Givers in respect of any amount which the Opinion Givers shall be ordered to pay pursuant to a peremptory judgment of a court or pursuant to a judgment in respect of which no motion to stay execution has been filed or dismissed or pursuant to a compromise to which the Company has consented, in writing, and also in respect of reasonable costs (taking into consideration the scope of the proceeding and the attorneys, the professionals and the advisors who will be appointed to handle the matter) which the Opinion Givers shall incur or which they shall be required to pay for legal or other representation, for legal or other advice, defense against legal proceedings, negotiations, and so on and so forth, in connection with any claim, demand or any other proceedings whose grounds arise from or pertain, in any manner whatsoever, to the above-mentioned Opinion and in respect of which the indemnity obligation applies. The Opinion Givers have undertaken to inform the Company of any claim that shall be filed against them and of any notice regarding the intention to file a claim against them. The Company shall be entitled to demand of the Opinion Givers, in writing, that the Company shall conduct, on their behalf, any defense or negotiations against the aforesaid claim, provided that the said defense or negotiations shall be conducted by legal advisers of an appropriate professional standard, taking into consideration the scope of the proceeding, the nature thereof and the professionals on behalf of the plaintiffs, and provided that the aforesaid legal advisers have been approved by the Opinion Givers and also that the Opinion Givers shall be involved in the conducting of the claim or the negotiations, and that any compromise shall be subject to the approval of the Opinion Givers. Should the Company not exercise its right to conduct the legal defense or the negotiations as stated above, the Opinion Givers may reach a compromise with the plaintiff/plaintiffs in respect of any amount as they shall deem fit and the Company shall be required to indemnify them in respect

of the compromise amount and in respect of all of the reasonable costs that were incurred as stated above, provided that notice was given to the Company, in writing, seven (7) days in advance, of the intention to reach such a compromise, and the Company did not take it upon itself to conduct the claim. In the letter of indemnity, it is stated that the Company's decisions in any matter pertaining to the aforesaid indemnity shall be approved by the Board of Directors of the Company, without prejudice to any right of the Opinion Givers pursuant to the aforesaid indemnity undertaking.

11.3 **Costs in Connection with the Offering of the Securities and the Issue Thereof**

After the publication of this Prospectus, the Company will publish a supplementary notice in accordance with section 16(A1)(2) to Securities Law, 1968. As part of the supplementary notice shall be specified the expenses related to the publication of this Prospectus.

11.4 **Brokerage Fees in Connection with the Offered Securities and Other Securities**

11.4.1 For details regarding the prior commitment commission to qualified investors, see section 2.4.7.5 above.

11.4.2 For details regarding commissions to the pricing underwriter and to the distributors, see sections 2.10 and 6 above.

11.4.3 The Company has not paid or undertaken to pay, since the date of its founding (i.e., June 2015), brokerage fees in connection with underwriting or subscribing to securities which have been issued.

11.5 **Allocation of Securities of the Company Not for Full Cash Proceeds**

Since it was founded in June 2015, the Company has not allocated and has not undertaken to allocate securities not for cash proceeds, except as set forth below:

The holders of the rights in the Company (as they are defined in section 3.3.2 of the Prospectus) have undertaken that prior to the listing for trading on the stock exchange of the Series A debentures which are being offered to the public pursuant to this

Prospectus, they shall transfer their rights to the Company (including indirectly, through corporations wholly owned and controlled by them) in five corporations that will hold, through a chain of holding, rights in real estate assets for investment and in real estate for development in the city of Toronto, Ontario, Canada, all as set forth in this Prospectus, against the issue of shares of the Company to the holders of the rights. For details, see section 3.3.2 of the Prospectus.

11.6 **Inspection of Documents**

The Prospectus, the Memorandum of Association and the Articles of Association of the Company are available for inspection on the Magna website of the Israel Securities Authority at www.magna.isa.gov.il and at the offices of Shimonov & Co. Law Firm – 11 Menachem Begin Street, Rogovin Tidhar Tower, Ramat Gan, during normal working hours.

11.7 **The Opinion of the Company's Legal Advisors in the Province of Ontario, Canada**

Please find below the opinion of the Company's legal advisors in the province of Ontario, Canada. This opinion does not constitute an attorney's opinion for the purpose of section 17(b)(3) of the Securities Law, 5728 – 1968:

November 27th, 2015.

Direct Line: (416) 250-3699
E-mail: brotenberg@harris-sheaffer.com
Assistant: Cheryl Moore
Direct Line: (416) 250-3699
E-mail: cmoore@harris-sheaffer.com
File No.: 150105

Urbancorp Inc.
120 Lynn Williams Street, Suite 2A,
Toronto, Ontario,Canada
M6K3P6

Shimonov & Co.- Advocates
Rogovin Tidhar Tower, 23nd floor
11 Menachem Begin Road
Ramat Gan 52506, Israel
Attn: Israel Shimonov, Adv. Nir Cohen Sasson, Adv. Ran Felder, Adv. Eyal Natanian, Adv. Maayan Blumenfeld

Apex Issuances
Champion Tower
30 Sheshet Hayamim Street
Bnei Brak, Israel 5112303
Attn: Eliav Bar-David

Doron, Tikotzky, Kantor, Gutman, Cederboum & Co.
Law Office
12 Abba Hillel Silver Street
Ramat Gan, 5250606 Israel
Attn: Giora Gutman, Adv

Deloitte Israel
Member of Deloitte Touche Tohmatsu Limited
1 Azrieli Center
Tel Aviv 67021, Israel

Dear Sirs:

Re: Urbancorp Inc. Securities Issue in Israel

We have acted as corporate counsel to Urbancorp Inc. (**"Urbancorp"**) in connection with its proposed initial public offering in Israel (the **"Offering"**) of non-convertible debentures (Series A) of Urbancorp (the **"Offered Securities"**).

This letter is being delivered to you in connection with the prospectus of Urbancorp which will be published on or about November 29th 2015 (the **"Prospectus"**) and to be filed by Urbancorp with the Tel Aviv Stock Exchange (the **"TASE"**) and the Israel Securities Authority (**"ISA"**).

This opinion is solely for the benefit of the addressee and is rendered solely in connection with the filing of the Prospectus. Except as specifically provided below, this opinion may not be relied upon by you for any other purpose, or furnished to, quoted to, or relied upon by any other person for any purpose without our prior written consent, and may not be made public without our prior written consent. Urbancorp may incorporate this opinion in the Prospectus but this opinion may not be relied upon by any investor in purchasing or making a decision as to whether or not to purchase the Offered Securities. We consent to the use of the name of our firm in the Prospectus.

We have not participated in the preparation or filing of the Prospectus, nor have we participated in the preparation of any other documentation relating to the Prospectus or the Offering. We reserve our rights to make such changes and amendments to this opinion as we, in our sole discretion, deem necessary.

We have relied upon the Documents (as defined below) without independent investigation of the matters provided for therein for the purpose of providing our opinions expressed below.

We have also reviewed the list of directors of Urbancorp set forth in the English translation of Chapter 8 of the Prospectus (the **"Translation"**).

For the purposes of the opinions expressed below, we have made such examinations, investigations and searches and we have considered such questions of law as we have deemed relevant. We have examined the following documents (collectively, the **"Documents"**):

(a) Copies of the articles of incorporation and any amendments thereto and the existing by-laws of Urbancorp (the **"Constating Documents"**);

(b) The minute books of Urbancorp in our possession;

(c) Certificate of Status dated November 27th, 2015, issued by the Ministry of Government Services of Ontario in relation to Urbancorp;

(d) An Officer's Certificate provided by Urbancorp dated November 27th, 2015 (the **"Officer's Certificate"**); and

(e) A copy of the minutes of the Meeting of the Board of Directors of Urbancorp Inc. held on November 8th, 2015; and

(f) Such other records and documents as we have considered necessary for the purposes of the opinion expressed herein.

Assumptions and Reliances

For the purposes of the opinion expressed herein, we have assumed and relied upon:

(a) All signatures are genuine, all documents submitted to us as originals are authentic and complete and all documents submitted to us as copies conform to the authentic and original documents;

(b) The minute books of Urbancorp and all other corporate records of Urbancorp which have been reviewed by us are accurate and complete and are up to date in all respects and contain all of the shareholders' resolutions and directors' resolutions of Urbancorp;

(c) All facts set forth in public records, certificates and documents supplied or otherwise furnished by public officials are complete, true and accurate as of the date of this opinion letter;

(d) All information contained in the Officer's Certificate is complete, true and correct as of the date hereof and we have assumed no obligations to update or independently verify such information;

(e) With respect to the opinion Number 1 below, we have relied exclusively upon the Certificate of Status;

(f) The accuracy, currency and completeness of the indices and filing systems maintained at the public offices and registries where we have searched or made enquiries or have causes searches or enquiries to be made and of the information and advice provided to us by appropriate government, regulatory and other like officials with respect to those matters referred to herein.

Opinions

On the basis of the foregoing and subject to the qualifications hereinafter expressed, we are of the opinion that:

1. Urbancorp is a corporation incorporated on June 19th, 2015 under the laws of the Province of Ontario, is in good standing and has not been dissolved.

2. Urbancorp has full capacity and power to own its properties and assets and carry on business in the Province of Ontario.

3. The board of directors of Urbancorp has taken all necessary corporate action to authorize the issuance of the Offered Securities.

4. The board of directors of Urbancorp has taken all necessary corporate action to authorize the listing of the Offered Securities for trading on the TASE.

5. There is no restriction under the Constating Documents to qualify the Offered Securities for trading on the TASE.

6. The persons listed in Exhibit A hereto constitute, on the date hereof, all of the directors and officers of Urbancorp. Urbancorp's directors have been duly elected and are empowered to exercise all the powers and authorities vested in Urbancorp's directors in accordance with Urbancorp's Articles of Incorporation, its By-Law No. 1 and the *Ontario Business Corporations Act* (**"OBCA"**). Urbancorp's officers have been duly appointed.

7. Pursuant to Section 115(1) of the OBCA, the directors are required to manage or supervise the management of the business and affairs of Urbancorp.

8. The authorized capital of Urbancorp consists of an unlimited number of Class A Special Shares, an unlimited number of Class B Special Shares, an unlimited number of Class C Special Shares, an unlimited number of Class D special Shares, an unlimited number of Class E Special Shares, and an unlimited number of Common Shares. One hundred common shares have been issued and are outstanding as fully paid and non-assessable shares.

9. As listed in Exhibit B, Urbancorp Holdco Inc. is the registered holder of all of the 100 issued and outstanding common shares in the capital of Urbancorp.

10. The description relating to the rights attached to Urbancorp's shares in the form substantially set out in Exhibit C hereto and which, to our knowledge, will appear in the Prospectus at Chapter 4, is an accurate summary, in all material aspects in so far as it relates to the provisions contained in Urbancorp's Articles of Incorporation and By-law No.1.

11. The description relating to the appointment, activities and replacement of directors in the form substantially set out in Exhibit D hereto and which, to our knowledge, will appear in the Prospectus at Chapter 8, is an accurate summary, in all material aspects in so far as it relates to the provisions contained in Urbancorp's By-law No.1.

Qualifications

The opinions set forth herein are also subject to the following qualifications and limitations:

1. We are solicitors qualified to carry on the practice of law in the Province of Ontario.

2. Our opinion is expressed with respect to the laws of the Province of Ontario and the federal laws of Canada applicable therein in effect on the date of this opinion (**"Ontario Law"**) only and we do not accept any responsibility to take into account or inform the addressees of any changes in law, facts or other developments subsequent to this date that do or may affect the opinions we express, nor do we have any obligation to advise you of any other change in any matter addressed in this opinion nor to consider whether it would be appropriate for any other person other than the addressee to rely on our opinion.

3. We express no opinion as to the validity, effectiveness or enforceability of any references to Israeli law in the Constating Documents, nor as to the possible effects of such reference on the matters addressed in this opinion. We also express no opinion as to whether any laws, regulations or policies of or applicable in the State of Israel (including, without limitation those of the TASE) that apply to a corporation incorporated under the OBCA whose Securities are listed on the TASE are enforceable against Urbancorp or conflict with any of the provisions of the OBCA (or the regulations thereunder) or the Constating Documents.

4. This opinion is given in the English language. Any translation is for convenience only and the English version shall govern over any such translation.

Yours very truly,

HARRIS, SHEAFFER LLP

EXHIBIT A

Directors and Officers of Urbancorp Inc.

A. DIRECTORS:

Name	A Director Since at Least
Alan Saskin	June 19th, 2015
David Mandell	November 8th, 2015
Phillip Gales	November 8th, 2015

B. OFFICERS

Name	Officer	An Officer Since at Least
Alan Saskin	President, CEO and Chairman of the Board	June 19th, 2015
David Mandell	Vice-President and Secretary	November 8th, 2015
Philip Gales	CFO	June 19th, 2015

EXHIBIT "B"

COPY OF SHAREHOLDERS REGISTRY FOR URBANCORP

Date	**Name**	**Shares Held**	
		No. of Shares	**Class of Shares**
29/Sept/2015	Urbancorp Holdco Inc.	100.00	Common Shares

EXHIBIT "C"

RIGHTS ACCOMPANYING THE COMPANY'S SHARES[1]

Whereas the Company's certificates of indebtedness (non-convertible) are offered to the public in Israel under this Prospectus, and will be registered for trade in the Stock Exchange, in accordance with Israeli law, the provisions of Section 39A of the Securities Law, 5728-1968 (hereinafter: the "**Securities Law**") shall apply to the Company, and as a result, various provisions of the Companies Law, 5759-1999 (hereinafter: the "**Companies Law**") shall apply. The above provisions apply in addition to the provisions of the Company's incorporation documents, the Business Corporations Act (Ontario) (hereinafter: the "**Act**"), the laws of Ontario and the laws of, Canada applicable therein. It shall be noted that the laws of Ontario and Canada alone shall apply to the Company regarding distribution and bankruptcy laws, including the procedures for sale of its properties.

Notwithstanding the above, it shall be emphasized that the Deed of Trust and its appendices, including the Debentures, are subject to the provisions of the Israeli Law[2]. In all matters not mentioned in the Deed of Trust, and in any event of a conflict between the provisions of the law and the Deed of Trust, the parties shall act pursuant to the provisions of the Israeli Law. The sole court that shall be authorized to hear matters related to the Deed of Trust and its appendices and the Debentures attached as an appendix shall be the competent court of Tel Aviv-Jaffa.

The Company, controlling shareholder and officers of the Company shall not oppose the request of the Trustee and/or holders of Debentures (Series A) filed to the court in Israel for the application of Israeli law regarding a settlement and arrangement and bankruptcy, if any, shall not turn to a court outside Israel on their own initiative to receive protection from a procedure initiated by the Trustee and/or holders of the Debentures (Series A) of the Company, and shall not oppose a request of the Israeli court to apply the Israeli law regarding settlement and an arrangement and bankruptcy. Additionally, the Company, controlling shareholder and officers irrevocably undertake not to raise claims against the local jurisdiction of the court in Israel in connection with proceedings filed by the Trustee and/or holders of the Company's Debentures (Series A).

In addition to the above, on the date of signing the Deed of Trust, the Company undertakes to provide the Trustee with an irrevocable written undertaking of all of the controlling shareholders in the Company and of all of the officers serving in the Company on the signing date of this Deed and immediately after the appointment of additional officers of the Company, and/or changes of the controlling shareholders of the Company, as applicable, (hereinafter: the "**undertakings of controlling shareholders and officers**"), not to oppose a request of the Trustee and/or holders of Debentures (Series A) filed to the court in Israel for the application of Israeli law regarding a settlement and arrangement and bankruptcy, if any, and shall not appeal to a court outside Israel on their own initiative to receive protection from a procedure initiated by the Trustee and/or holders of Debentures (Series A) of the Company, and shall not oppose a request of the Israeli court to apply the Israeli law regarding settlement and an arrangement and bankruptcy. Additionally, the Company, controlling shareholder and officers undertake not to raise claims against the local jurisdiction of the court in Israel in connection with proceedings filed by the Trustee and/or holders of the Company's Debentures (Series A).

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[1] The Articles of the Company or its By-Laws include those sections that are **applicable to the Company under Section 39A of the Securities Law. It shall be emphasized that there are no provisions of the Articles of Incorporation or the By-Laws of the Company which contradict mandatory law in Ontario, Canada.**

[2] In this regard, see Sections 33 and 34 of the Deed of Trust between the Company and the Trustee for holders of the Debentures (Series A), attached as Appendix 1 to Chapter 2 above.

For the avoidance of doubt it should be clarified and emphasized that the undertakings of the controlling shareholders and the officers shall also explicitly include an irrevocable undertaking not to initiate bankruptcy proceedings under foreign law.

Given the above, and subject to the undertaking of the controlling shareholders and the officers it should be clarified and emphasized that a bankruptcy procedure, which is not under Israeli law and not in Israeli courts, can only result from a claim by a foreign creditor.

The Undertakings of the Controlling Shareholders and the Officers will be attached within the immediate report regarding the appointment of the officer, or regarding a change in the control of the Company (as applicable), which the Company shall publish in accordance with the provisions of Israeli law as part of the pre-issuance reports and on the appointment of any officer and/or the entry of a new controlling shareholder, all during the life-term the Debentures (Series A).
The Company, controlling shareholders and officers of the Company, present or future, irrevocably undertake and will irrevocably (as applicable) undertake not to raise claims against the application, validity or manner of implementation of Section 39A of the Securities Law as stated.

1 The following constitutes a description of certain basic provisions of the Articles of Incorporation and/or the By-Laws relating to the authorized shares of the Company, payment of dividends, Shareholder Meetings and Approvals and transfer of shares, and is not exhaustive. The Articles of Incorporation of the Company, as well as any amendment thereto, if any, can be reviewed electronically on the "Magna" website of the Securities Authority, located at www.magna.gov.il

4.1 **The Rights Accompanying the Company's Shares**

4.1.1 The classes and any maximum number of shares that the Company is authorized to issue:
The Company is authorized to issue an unlimited number of Class A Special Shares, an unlimited number of Class B Special Shares, an unlimited number of Class C Special Shares, an unlimited number of Class D Special Shares, an unlimited number of Class E Special Shares, and an unlimited number of Common Shares.

4.1.2 Allotment of shares:
Subject to any unanimous shareholder agreement, the board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Company at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully-paid as prescribed by the Act.

4.1.3 Rights, privileges, restrictions and conditions (if any) attaching to each class of shares:

Special Shares

(1) Subject to applicable laws, each Class A Special Share shall entitle the holder thereof to receive, for each financial year of the Company, a dividend equal to the "Class A Available Funds", as hereinafter defined. Any dividend may be paid in one or more installments at the discretion of the board of directors of the Company. The holders of the Class A Special Shares shall not be entitled to any dividends other than or in excess of the dividends hereinbefore provided for.

(2) For the purposes hereof, "Class A Property" means any property transferred to the Company in consideration for the issuance of Class A Special Shares, less the value of any non-share consideration (including the assumption of debt) paid by the Company in respect of such transfer. The consideration paid by the Company for the

Class A Property shall not be greater than the fair market value of the Class A Property based on generally accepted valuation principles.

(3) The Class A Available Funds shall be equal to the following amount:

(a) Any amount received by the Company in respect of the Class A Property including, without limitation, proceeds of voluntary or involuntary disposition, rental income and dividends; less

(b) Any direct costs associated with the particular receipt; and less

(c) Any direct or indirect taxes or like imposts assessed against the Company in respect of the particular receipt.

The Class A Available Funds shall be determined by the Board of Directors having regard for actual or contingent receipts and disbursements affecting (a), (b) and (c) above.

(4) In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the outstanding Class A Special Shares shall be entitled to receive all of the remaining Class A Property owned by the Company at that date. After payment to the holders of the Class A Special Shares of the property so payable to them as above provided, they shall not be entitled to share in any further distribution of the property or assets of the Company.

(5) After the disposition by the Company of all of the Class A Property and the distribution of the Class A Available Funds associated therewith, the Company shall redeem all issued Class A Special Shares for the aggregate amount of One Dollar ($1.00) (Canadian funds).

(6) Any registered holder of Class A Special Shares may, at his option, upon giving notice as hereinafter provided, require the Company at any time or times to redeem all or any part of the Class A Special Shares held by him, and the Company shall pay to such holder for each such share which the holder requires to be redeemed an amount equal to the Class A Redemption Amount.

(7) The holders of the Class A Special Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company and shall not be entitled to vote at any such meeting; the holders of the Class A Special Shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof.

The above mentioned description of the rights, privileges, restrictions and conditions attaching to Class A Special Shares shall apply, *mutatis mutandis*, to the Class B Special Shares, Class C Special Shares, Class D Special Shares and Class E Special Shares.

Common Shares

(8) Subject to the prior rights of the holders of the Class A Special Shares, Class B Special Shares, Class C Special Shares, Class D Special Shares and the Class E Special Shares, the holders of the Common Shares shall be entitled to receive and the Company shall pay dividends to them as and when declared by the board of directors of the Company out of the moneys of the Company properly applicable to the payment of dividends, in such amounts and in such form as the board of directors may from time to time determine.

(9) The holders of the Common Shares shall be entitled to receive the remaining property of the Company upon the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, after the Class A Special Shares, the Class B Special Shares, the Class C Special Shares, the Class D Special Shares and the Class E Special Shares.

(10) The holders of the Common Shares shall be entitled to receive notice of and attend any meeting of the shareholders of the Company and shall be entitled to one (1) vote in respect of each Common Share held at all meetings of the shareholders of the Company.

(11) Holders of shares of any class are not entitled to vote separately as a class or dissent upon a proposal to amend the articles of the Company to:

(i) increase or decrease any maximum number of authorized shares of such class or increase any maximum number of authorized shares of any class or series having rights or privileges equal or superior to the shares of such class;

(ii) effect an exchange, reclassification or cancellation of the shares of such class; or

(iii) create a new class or series of shares equal or superior to shares of such class.

4.2 **Distribution of Dividends**[1]

4.2.1 Subject to the provisions of the Act, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Company.

4.2.2 Dividends may be paid in money or property or by issuing fully-paid shares of the Company or rights to acquire fully-paid shares of the Company.

4.2.3 The board may fix in advance a date, preceding by not more than fifty (50) days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, provided that notice of any such record date is given, not less than seven (7) days before such record date in the manner provided in the Act.

Where no record date is fixed in advance as aforesaid, the record date for the determination of persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Company shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

4.2.4 Any dividend unclaimed after a period of six (6) years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Company.

4.2.5 No dividends shall be declared or paid on any of the shares of the Company, nor shall any such shares be purchased for cancellation, if the directors have reasonable grounds for believing that the realizable value of the Company's assets would, after such payment or purchase, as the case may be, be less than the aggregate of:

(i) its liabilities;

(ii) its stated capital account of all classes of shares; and

(iii) the aggregate of the redemption amount for all issued and outstanding special shares of the Company, together with all declared and unpaid dividends thereon.

4.3 **Directors**

Regarding the sections of the Bylaws related to the appointment and activity of directors, see section 8.3 of Chapter 8 below.

4.4 **Shareholder Meetings and Approvals**

[1] For details regarding distribution of dividends under the laws of Ontario, Canada, see section 5.4.3 below.

4.4.1 The annual meeting of shareholders shall be held at such time in each year, and subject to Section 4.4.3, at such place as the board, the chairman of the board, the chief executive officer or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

4.4.2 The board, the chairman of the board, the chief executive officer or the president shall have the power to call a special meeting of the shareholders at any time.

4.4.3 Meetings of the shareholders shall be held at the registered office of the Company or elsewhere in the municipality in which the registered office is situate or, if the board shall so determine, at some other place in or outside Canada.

4.4.4 Notice of the time and place of each meeting of the shareholders shall be given in the manner provided in Section 10.1 of the Articles, not less than ten (10) and not more than fifty (50) days before the date of the meeting to each director, to the auditor and to each shareholder who at the close of business on the record date, if any, for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of financial statements and auditors' report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A shareholder may in any manner waive notice of or otherwise consent to a meeting of shareholders.

4.4.5 For every meeting of shareholders, the Company shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares entitled to vote at the meeting held by each shareholder. If a record date for the meeting is fixed pursuant to Section 4.4.6, the shareholders listed shall be those registered at the close of business on a day not later than ten (10) days after such record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given, or where no such notice is given, the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Company or at the place where the meeting is held.

4.4.6 The board may fix in advance a record date, preceding the date of any meeting of shareholders by not more than fifty (50) days and not less than twenty-one (21) days, for the determination of the shareholders entitled to notice of the meeting, provided that notice of any such record date is given not less than seven (7) days before such record date, in the manner provided in the Act. If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of the meeting shall be the close of business on the day immediately preceding the day on which the notice is given.

4.4.7 A meeting of shareholders may be held without notice at any time and place permitted by the Act:

(a) if all of the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held; and

(b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held.

At such a meeting any business may be transacted which the Company at a meeting of shareholders may transact.

4.4.8 The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chairman of

the board, chief executive officer, president, or a vice-president who is a shareholder. If no such officer is present within fifteen (15) minutes from the time fixed for holding of the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Company is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

4.4.9 The only person entitled to be present at a meeting of the shareholders shall be those entitled to vote thereat, the directors and auditors of the Company and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

4.4.10 The holders of a majority of the shares entitled to vote at a meeting of shareholders present in person or by proxy constitutes a quorum for the transaction of business at any meeting of shareholders.

4.4.11 Subject to the provisions of the Act as to authorized representatives of any other body corporate, at any meeting of shareholders in respect of which the Corporation has prepared the list referred to in Section4.4.5, every person who is named in such list shall be entitled to vote the shares shown thereon opposite his name except, where the Company has fixed a record date in respect of such meeting pursuant to Section 4.4.6, to the extent that such person has transferred any of his shares after such record date and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns such shares, demands not later than ten (10) days before the meeting that his name be included to vote the transferred shares at the meeting, the transferee may vote such shares. In the absence of a list prepared as aforesaid in respect of a meeting of shareholders, every person shall be entitled to vote at a meeting who at the time is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

4.4.12 Every shareholder entitled to vote at a meeting of shareholders may appoint a proxy holder, or one or more alternative proxy holders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act.

4.4.13 A resolution in writing signed by all of the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless a written statement or representation with respect to the subject matter of the resolution is submitted by a director or the auditors in accordance with the Act.

4.4.14 If a meeting of shareholders is adjourned for less than thirty (30) days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of thirty (30) days or more, notice of the adjourned meeting shall be given as for an original meeting.

4.4.16 A Shareholder shall be deemed to be present at a meeting of Shareholders if he/she participates by telephone or other electronic means and all Shareholders participating in the meeting are able to hear each other.

2 4.5 **Transfer of Shares**

4.1.5 Subject to the provisions of the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such shares with a transfer endorsed thereon or delivered therewith duly executed by the registered shareholder or by his

attorney or successor duly appointed, together with such reasonable assurance or evidence of signature, identification and authority to transfer as the board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the board, upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in Section 8.5 No shares shall be transferred without the consent of the board of directors by resolution or in writing.

EXHIBIT "D"

APPOINTMENT, ACTIVITIES & REPLACEMENT OF DIRECTORS

8.3 Provisions of the Company's By-Laws Relating to Appointment, Office and Fulfillment of Position of the Directors

Since the (non-convertible) undertaking certificates of the Company are presented to the public in Israel according to this Prospectus, and registered for trade in the Stock Exchange, in accordance with Israeli law, the provisions of Section 39a of the Securities Law, 5728-1968 (hereinafter: the **"Securities Law"**) shall apply to the Company, and as a result, the various provisions of the Companies Law, 5759-1999 (hereinafter: the **"Companies Law"**) shall apply, including (without derogating from the generality of the foregoing) the provisions regarding the obligation to appoint external directors[1], appointment of an audit committee[2], as well as the appointment of a remuneration committee[3], and these provisions apply in addition to the provisions of the incorporation documents of the Company and the laws of Ontario, Canada[4].

The following is a description of a portion of the provisions applying to the board of directors of the Company, in accordance with the provisions of the law in the Province of Ontario, Canada, the Articles of Incorporation of the Company and By-Laws of the Company.

Further to the above stated, it shall be noted that regarding the insolvency laws and the distribution policy, the laws of the Province of Ontario, Canada alone shall apply to the Company and the property exercise process shall be carried out in in accordance with the laws of Ontario, Canada.

Notwithstanding the above, it shall be emphasized that the Deed of Trust and its appendices, including the Debentures, are subject to the provisions of the Israeli law[5]. In any matter not mentioned in the Deed of Trust as well as any case of a contradiction between the provisions of the law and between the Deed of Trust, the parties will act in accordance with the Israeli law. The sole court which is authorized to judge the matters related to the Deed of Trust and its appendices and the Debentures attached as an appendix will by the authorized court of Tel Aviv-Jaffa.

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1 Sections 239 to 249a of the Companies Law.

2 Sections 114 to 117 of the Companies Law.

3 Sections 118a and 118b of the Companies Law.

4 The Articles of **Incorporation** of the Company or its By-Laws includes those sections which apply to the Company under Section 39a of the Securities Law. It shall be emphasized that the Articles of **Incorporation** or the By-Laws of the Company does not have any provision which contradicts a mandatory law in Ontario, Canada.

5In this matter, see Sections 33 and 34 of the Deed of Trust between the Company and the Trustee and the Holders of Debentures (Series A), attached as Appendix 1 to Chapter 2 above.

Notwithstanding the above, regarding the application of the laws of the Province of Ontario, Canada with regard to bankruptcy and distribution laws, the Company, the controlling shareholder and officers in the Company, as they are at present and as they shall be from time to time, shall not object to the request of the Trustee and/or Holders of Debentures (Series A) which will be submitted to the court in Israel for the application of the Israeli law regarding settlement, arrangement and insolvency, as submitted, shall not appeal to a court outside Israel on their own initiative in order to receive protection from a procedure initiated by the Trustee and/or holders of Debentures (Series A) of the Company, and will not object if the court in Israel will request to apply the Israeli law regarding settlement, arrangement and insolvency with respect to the Company.

Similarly, the Company, the controlling shareholder and the officers in the Company, undertake to not raise any claims against the local authority of the court in Israel in regards to proceedings submitted by the Trustee and/or Holders of Debentures (Series A) of the Company.

In addition to the above, on the date of signing of the Deed of Trust, the Company undertakes to provide the Trustee with the irrevocable undertakings in writing of all the controlling shareholders and all of the officers serving in the Company at the time of the signing of the Deed of Trust, as well as shortly following the appointment of additional officers in the Company and/or a change in the controlling shareholders in the Company, as applicable, (hereinafter: "**the undertakings of the controlling shareholders and the officers**") not to object to the request of the Trustee and/or Holders of Debentures (Series A) which will be submitted to the court in Israel for the application of the Israeli law regarding settlement, arrangement and insolvency of the Company, as submitted, not to appeal to a court outside Israel on their own initiative in order to receive protection from a procedure that was initiated by the Trustee and/or holders of Debentures (Series A) of the Company, and not to object if the court will request to apply the Israeli law in regards to settlement, arrangement and insolvency of the Company, as well as not to raise any claims against the local authority of the court in Israel in relation to the proceedings submitted by the Trustee and/or Holders of Debentures (Series A) of the Company.

For the avoidance of doubt it is clarified and emphasized that the undertakings of the controlling shareholders and the officers shall also explicitly include an irrevocable undertaking not to initiate bankruptcy proceedings under foreign law and in a jurisdiction that is not Israel.

Given the above, and subject to the undertaking of the controlling shareholders and the officers it is to be emphasized and clarified that a bankruptcy procedure, which is not under Israeli law and not in Israeli courts, can only result from a claim by a foreign creditor.

The undertakings of the controlling shareholders and the officers' will be attached in the framework of an immediate report regarding the appointment of an officer or regarding a change in control of the Company (as applicable) which the Company will publish in accordance with the provisions of the Israeli law as part of the pre-issuance reports and on the appointment of any officer and/or the entry of a new controlling shareholder, all during the life-term the Debentures (Series A).

The reference in this chapter to the law of the Province of Ontario, Canada is in accordance with the opinion of an authorized law firm in the Province of Ontario, Canada included in Chapter 11 of the Prospectus, with the original and the translation to Hebrew, which agreed to provide its opinion and its translation for the Prospectus.

The Company, controlling shareholders and officers of the Company, present and future, irrevocably undertake and will irrevocably undertake (as applicable) to not raise any claims against the application, validity or manner of implementation of Section 39A of the Securities Law as stated.

Furthermore, The controlling shareholder and the other officers serving on the Board of Directors of the Company undertake that: (1) in the event where one of the external directors notified the Company that the condition required according to the Companies Law for his office as an external director, then they will operate in accordance with the provisions of the By-Laws of the Company for convening an urgent assembly of shareholders or an urgent board of directors meeting (as necessary), which will include on the agenda the passing of a resolution to terminate the said external director immediately (hereinafter in this Subsection alone: the **"Resolution"**), and they will also vote for the said Resolution; and (2) in the event where one of the directors notified the Company that he was convicted in a judgment for a crime as stated in Section 226(a)(1) of the Companies law or 226(a1) of the Companies Law, or that the administrative enforcement committee resolved to place on that director enforcement means which prohibit him from serving as a director in a private company which is a debentures company, then they will act in accordance with the provisions of the By-Laws of the Company for convening an urgent assembly of shareholders or an urgent board of directors meeting (as necessary), which will include on the agenda the passing of a resolution to terminate the said external director immediately (hereinafter in this Subsection alone: the **"Resolution"**), and they will also vote for the said Resolution.

The controlling shareholder and the other Directors serving on the Board of Directors of the Company irrevocably undertake that starting from the end of three months from the issue date and during the life of the Debentures (Series A), at least three directors (including external directors) who are residents of Israel shall serve on the Board of Directors.

The description below constitutes a principal description of the regulations in the Articles of Incorporation and By-Laws of the Company and is not exhaustive. The Articles of Incorporation of the Company, as well as any amendment thereto, as will be, may be reviewed electronically on the "Magna" site of the Securities Authority at www.magna.gov.il.

"Act" in this chapter means the Business Corporations Act (Ontario), and includes the regulations made pursuant thereto;

8.3.1 Subject to the By-Laws, the business and dealings of the Company will be managed according to or under the supervision of the board of directors.

8.3.2 Appointing directors, the end of their office and alternative directors

8.3.2.1 The election of directors shall take place at the first meeting of shareholders and at each succeeding annual meeting of shareholders at which an election of directors is required. The directors shall hold office for an expressly stated term which shall expire not later than the close of the third annual meeting of shareholders following the election. A director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of shareholders following his election. Incumbent directors, if qualified, shall be eligible for re-election. The election may be by signed resolution. If an election of directors is not held at the proper time the incumbent directors shall continue in office until their successors are elected. External Directors and Non-External Independent Directors shall hold office for a term outlined in section 1.1.3.9.

As of the date on which the Company becomes a Debentures Company, the minimum number of directors shall be four (4) and the maximum number shall be ten (10). Subject to section 1.3.3.2, the Company shall at all times have at least two (2) External Directors. At least 25 per cent of the directors of a Company (other than a non-resident Corporation) shall be resident Canadians, but where a Company has less than four directors, at least one director shall be a resident Canadian.

8.3.2.2 No person shall be appointed as a director of the Company unless the following is disclosed to the Directors of the Company if appointment is to take place by way of Resolution of Directors or the Shareholders of the Company if the appointment shall take place by way of Resolution of Shareholders in the form of a written declaration (the "**Declaration**"):

(A) whether the Person has been convicted by a Judgment of an offense stated in Section 1.1.2.3(a) where the period has not yet passed in which the person is prevented from being appointed as a director under 1.1.2.3(a);

(B) whether the Person has been convicted by a Judgment of an offense as stated in Section 1.1.2.3(b), where the period determined by the court under the same Section 1.1.2.3(b) has not yet passed;

(C) whether the Administrative Enforcement Committee imposed Enforcement Measures which prohibits the Person from serving as a director of any Public Company or any Private Company which is a Debentures Company and the period determined by the Administrative Enforcement Committee as stated has not yet passed under Section 1.1.3.3 (c).

The Declaration shall be kept in the registered offices of the Company.

8.3.2.3

(A) A person convicted in a judgment in one of the following offenses shall not be appointed to serve as a director in the Company unless five years have passed from the date the judgment in which he was convicted was given:

(i) Offenses of: (1) bribery , (2) theft of company property by a manager of the company, (3) obtaining anything by deceit, (4) forgery, (5) use of a forged document, (6) inducement by deceit, (7) false registration in documents of a company,(8) offenses by managers or employees of a company, (9) failure to disclose information and misleading publication by an officer of a company, (10) deceit and breach of trust in a company, (11) deceitful concealment (12) blackmail with use of force, (13) blackmail by threats, (14) use of information by an insider, (15) use of inside information the source of which is an insider, (16) offer and sale of securities to the public in Israel not in accordance to a prospectus or a prospectus, (17) causing a misleading item to be included in a prospectus or in a prospectus, (18) causing a misleading item to be included in information presented at a meeting of the company's employees, (19) issuing an opinion, report or certification which is subsequently included or referred to in a prospectus, report, notice or purchase offer specification, knowing that the opinion , report or certification contained a misleading item, (20) causing a report, notice, registration document or purchase offer specification, submitted to Israel Securities Authority or TASE to contain a misleading item, (21) including a misleading item in one of its reports, publications or in other information provided by it (22) fraud in connection with securities; or

(ii) Conviction by a court anywhere in the world of the offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information.

(B) A person convicted by a judgment which is not listed in Section 1.1.2.3(A) above shall not be appointed as a director in the Company, if the court has determined that by virtue of the substance, severity or circumstances, the person is not permitted to serve as a director in a public company or a private company which is a debentures company for a period set forth by the court which shall not exceed five years from the date the judgment was given.

(C) Where the Administrative Enforcement Committee has imposed a means of enforcement on a Person preventing the said Person from serving as a director of a Public Company or a Private Company which is a Debentures Company, the same person shall not be appointed as director of the Company in which the person is prohibited from serving as a director based on the same decision.

8.3.2.4 [Deleted]

8.3.2.5 [Deleted].

8.3.2.6 Subject to the provisions of the Act, the shareholders may, by ordinary resolution passed at an annual or special meeting remove any director or directors (excluding an External Director) from office before the expiration of his term and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the directors.

8.3.2.7 If the Company becomes aware that the director was appointed contrary to the provisions of Sections 1.1.2.2 – 1.1.2.3(A) above, or that the director breached the provisions of Sections 1.1.2.3(A) above or 1.1.2.8 below, the Directors shall terminate the office of such Director, by a resolution passed at a meeting of Directors called for purposes including the removal of the Director, if it finds that the said conditions are fulfilled, and such office shall expire on the date of such resolution.

8.3.2.8 If after his appointment as a director of the Company, a Director has been convicted of an offense provided in Sections 1.1.2.3(A) or 1.1.2.3(B) above, the Person shall inform the Company as soon as is reasonably practicable and the Person's office shall be terminated upon receiving such notice, and it shall not be possible to reappoint the said person as a Director unless the time period during which the Person is prohibited from serving as a Director has passed.

8.3.2.9 If after his appointment as a director of the Company, the Administrative Enforcement Committee has resolved to impose means of enforcement on a Person preventing the Person from being appointed as a director in any Public Company, any Private Company which is a Debentures Company or in the company in which the person is appointed as provided in section 1.1.2.3(C), the said Person shall notify the Company as soon as is reasonably practicable thereof and the Person's office shall be terminated upon receiving such notice, and the Person will not be permitted to be reappointed as a Director in the Company in which the said prohibition applies, unless the prohibition period as stated by the Administrative Enforcement Committee has passed.

8.3.2.10 A director who is not named in the Articles of Incorporation may resign from office upon giving a written resignation to the Corporation and such resignation becomes effective when received by the Corporation or at the time specified in the resignation, whichever is later. A director named in the Articles of Incorporation shall not be permitted to resign from his office unless at the time the resignation is to become effective a successor is elected or appointed.

8.3.2.11 A director ceases to hold office when he dies; he is removed from office by the shareholders; he ceases to be qualified for election as a director; or upon the effective date of his resignation in accordance with section 1.1.2.10 hereof.

8.3.2.12 The Directors may at any time appoint any Person to be a Director either to fill a vacancy or as an addition to the existing Directors. Where the Directors appoint a Person as Director to fill a vacancy, the term shall not exceed the term that remained when the Person who has ceased to be a Director ceased to hold office.

8.3.3 External directors

8.3.3.1 If on the date of the appointment of the external director all members of the board of directors in the Company which are not controlling shareholders in the Company or relatives thereof are of one gender, the external director appointed shall be of the other gender.

8.3.3.2 The first external directors shall be appointed no later than three months from the date in which the Company became a debentures company.

8.3.3.3 An external director will be appointed by a resolution of shareholders or by a resolution of the board of directors only after the date on which the said nominee has provided a written Declaration in accordance with the provisions of Section 1.1.2.2 above, and the audit committee approved that all of the conditions stated in Sections 1.1.3.4, 1.1.3.5 and 1.1.3.6 below have been met.

8.3.3.4 Only an individual who is a resident of Israel and who is qualified for appointment as a director (in accordance with Sections 1.1.2.2 and 1.1.2.3 above) shall be appointed as an External Director and that individual shall either possess Professional Qualifications or Accounting and Financial Expertise. At least one of the External Directors shall possess Accounting and Financial Expertise.

8.3.3.5 The following people shall not be appointed as external directors in the Company:

(A) An individual may not be appointed as an External Director where the individual himself, or whose Relative, partner, employer, person who he is directly or indirectly subject to or a corporation in which he has Control, has a Connection with the Company or with a Controlling Shareholder of the Company or a Relative thereof on the date of appointment or during the two years prior thereto, or to another body corporate, and for a corporation which does not have a Controlling Shareholder or a person holding a Control Block – any Connection to a Person who is, on the date of appointment, the chairman of the Board of Directors of the Company, the general manager, the president, a Substantial Shareholder or the most senior financial Officer;
"Connection" – means the existence of labour relations, business or professional relations generally or control, as well as acting as an Officer, other than as a Director appointed to serve as an External Director in a company which intends to undergo an initial public offering.
"Other Body Corporate" means a body corporate in which the Controlling Shareholder is, on the date of appointment or during the two years prior thereto, the company or a Controlling Shareholder therein.

(B) An individual may not be appointed as an External Director if the said individual's other position or business does or may give rise to a conflict of interest with the role of director of the Company, or if this might harm the individual's ability to act as a Director;

(C) A director in a company shall not be appointed as an external director in another Company if at such time a director of the other company is acting as an External Director of the Company;

(D) An individual shall not be appointed as an external director if the said individual is an employee of the Securities Authority or the Securities Exchange in Tel Aviv.

8.3.3.6 Without derogating from the provision of Section 1.1.3.5 above, an individual shall not be appointed as an external director where the individual himself, or whose relative, partner, employer, person who he is directly or indirectly subject to or a corporation in which he has Control, has business or professional relationship to a Person which is prohibited from having a connection thereto under the provisions of Section 1.1.3.5 above, even if such relationships are not general, with the exception of negligible Connections, and an individual who has received consideration in violation with the provisions of Section 1.1.3.8 below. Where the said relationship exists or where consideration, as stated, was received during the tenure of the External Director, the foregoing shall be considered, for the purpose of Sections 1.1.3.11 – 1.1.14 below, to be a breach of one of the conditions required for the appointment or tenure of the external director.

8.3.3.7 On each and every committee authorized to exercise any of the powers of the Board of Directors (in so far as the Act or these by-laws permit) at least one External Director shall serve.

8.3.3.8 An External Director is entitled to remuneration and to a refund of expenses. An External Director shall not receive, in addition to the remuneration to which he is entitled and refund of expenses, any other consideration, directly or indirectly, for acting as a director of the Company. For the purposes of this by-law, consideration shall not include the grant of an exemption, an undertaking to indemnify, indemnification or insurance.

8.3.3.9 The term of office of an external director shall be three years, and the Company may, notwithstanding the provisions of Section 1.1.3.5 above, appoint the External Director for two additional terms of three years each.

8.3.3.10 An External Director shall only be dismissed and his tenure shall only expire in accordance with the provisions of Sections 1.1.3.11-1.1.3.14 below. Furthermore, the Court may, on the request of the Company, a Director, Shareholder or creditor, order the termination of the tenure of an External Director if it has found that one of the following prevails: (1) the External Director is permanently unable to fulfil his function; (2) during the term of his tenure he was found guilty in a court outside Israel of offenses referred to in Section 1.1.2.3(A) – (C) above;

8.3.3.11 An External Director to which the conditions required by Sections 1.1.3.3-1.1.3.6 above to serve as an External Director no longer apply shall immediately notify the Company thereof, and his tenure shall be terminated by the Directors or Shareholders of the Company.

8.3.3.12 Where the Board of Directors becomes aware that there is a suspicion that an External Director no longer complies with one of the conditions required under Sections 1.1.3.3-1.1.3.6 above for appointment as an External Director, or that there is a suspicion that the Director has breached a fiduciary duty to the Company, the Board of Directors or Shareholders shall discuss such matter at the first meeting to be convened after becoming so aware.

8.3.3.13 Where the Board of Directors or Shareholders finds, after giving the External Director a reasonable opportunity to present his position, that the External Director no longer complies with one of the conditions required under Sections 1.1.3.3-1.1.3.6 above for his appointment or that he has breached a fiduciary duty, the Board of Directors or Shareholders shall convene a meeting to terminate the tenure of the External Director in accordance with section 1.1.2.6 above.

8.3.3.14 The Court may, on the request of either a Director or a Shareholder, instruct for termination of the tenure of an External Director if it has found that the External Director no longer fulfils one of the conditions required under Paragraphs 2.9 (c), (d), (e) and (f) for his appointment as an External Director or that he has breached a fiduciary duty to the Company.

8.3.3.15 Where the position of External Director becomes vacant and there are no longer two External Directors serving in the Company, the Board of Directors shall fill such vacancy by Resolution of Directors.

8.3.4 Powers of Directors

Each director, in exercising his powers or performing his duties, shall act honestly and in good faith in what the director believes to be the best interest of the Company.

8.3.5 Meetings of the board of directors

Meetings of the board may be held at any place within or outside of Ontario.

If all of the directors present at or participating in the meeting consent, any director may participate in a meeting of the board or of a committee of the board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such meeting by such means is deemed for the purposes of the Act and the by-law to be present at that meeting. A resolution in writing, signed by all of the directors entitled to vote on that resolution at a meeting of directors or a committee of directors, is as valid as if it had been passed at a meeting of directors or a committee of directors. A copy of every such resolution shall be kept with the minutes of the proceedings of the directors or committee of directors.

8.3.6 Legal quorum

The quorum for the transaction of business at any meeting of the board shall consist of a majority of directors, or the minimum number of directors, as the case may be, or such greater number of directors as the board may from time to time determine. If the Company has fewer than three directors, all directors must be present to constitute a quorum.

For the purposes of ending the office of an Internal Auditor, the quorum required to open a meeting of the Board of Directors shall be no less than a majority of the members of the Board of Directors, notwithstanding the provisions of any other Paragraph in the By-Laws.

8.3.7 Chairman of the board of directors

8.3.7.1 The board may from time to time by also appoint a chairman of the board who shall be a director. The chairman of any meeting of the board shall be the Chairman of the Board, and in the absence of the Chairman of the Board, the board shall choose one of their number to be Chairman of the Board. The chairman of the meeting shall not be entitled to a second or casting vote.

8.3.7.2 The president[1] or a Relative of the president may only serve as chairman of the Board of Directors in accordance with the provisions of Paragraph 1.1.7.3. A person directly or indirectly subordinate to the president may not be appointed as Chairman of the Board of Directors. A director of a corporation under the Control of the Company may be appointed as Chairman of the Board of Directors of the Company.

[1] Equivalent to the title of a CEO.

8.3.7.3 The Chairman of the Board of Directors of the Company or a Relative thereof shall only be granted the powers of the president in accordance with the provisions of Paragraph 1.1.7.4. The Chairman of the Board of Directors of the Company shall not be granted the authorities given to a person subordinate to the president, directly or indirectly. The Chairman of the Board of Directors of the Company shall not serve in another position in the Company or in a company under the Company's Control, apart from Chairman of the Board of Directors or a director of a corporation controlled by the Company.

Notwithstanding the provisions of Paragraph 1.1.7.3, the Board of Directors may decide that for periods not exceeding three years from the date of passing the resolution referred to in Paragraph 5.1 to the By-Laws, the Chairman of the Board of Directors or a Relative thereof shall be authorized to fulfil the role of president or exercise the powers of the president and to authorize that the president or a Relative thereof fulfil the function of the Chairman of the Board of Directors or exercise its powers provided that consent thereto is granted by the Audit Committee.

8.3.8 Audit committee

8.3.8.1 As of no later than three months after the date in which the Company became a Debentures Company, the Board of Directors shall by a Resolution of Directors appoint an Audit Committee. There shall be not less than three (3) Persons on the Audit Committee. The members of the Audit Committee shall be chosen from Board of Directors and shall at all times comprise of all appointed External Directors. The majority of Audit Committee members shall be either External Directors or Non-External Independent Directors.

8.3.8.2 A meeting of the Audit Committee is duly constituted for all purposes if at the commencement of the meeting there are present in person a majority of the members of the Audit Committee save that majority present are either External Director or Non-External Independent Director and at least one External Director is present.

8.3.8.3 The chairman of the audit committee shall be an external director.

8.3.9 Remuneration committee

8.3.9.1 As of no later than three months after the date in which the Company became a Debentures Company, the Board of Directors shall by Resolution of Directors appoint a Remuneration Committee.

8.3.9.2 There shall be not less than three (3) Persons on the Remuneration Committee. The members of the Remuneration Committee shall be chosen from Board of Directors and shall at all times comprise of all appointed External Directors. The majority of members of the Remuneration Committee shall be External Directors and the rest of the members shall be Directors whose terms of tenure and employment are pursuant to the provisions set forth under Section 1.1.3.8 above.

8.3.9.3 The chairman of the remuneration committee shall be an external director.

8.3.10 Indemnification

Subject to the limitations contained in the Act, the Company shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Company's request as a director or officer of a body corporate of which the Company is or was a shareholder or creditor (or a person who undertakes or has undertaken any liability on behalf of the Company or any such body corporate) and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Company or such body corporate, if:

(a) He acted honestly and in good faith with a view to the best interests of the Company; and
(b) In the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

8.3.11 Insurance

Subject to the limitations contained in the Act, the Corporation may purchase and maintain such insurance for the benefit of its directors and officers as such, as the board may from time to time determine.

SHIMONOV & Co.
law firm

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Barak Baruch
Eyal Natanian
Maayan Blumenfeld
Benjamin Ben Zimra
Asaf Ohayon
Yaniv Yotam Kleiman

ישראל שמעונוב
אורן אלקבץ
יונתן רובינזון
ניר כהן ששון
דודי ברלנד
איגור כץ
לירון עזריאל
קורין ביטון
שירן מנור
רן פלדר
ברק ברוך
איל נתניאן
מעיין בלומנפלד
בנימין בן זמרה
אסף אוחיון
יניב יותם קליימן

Ramat Gan, November 30, 2015
Our ref: 5110

To:
Urbancorp Inc.

Dear Sir/Madam,

Re: **Translation from English of the Opinion of Harris – Sheaffer, dated November 27, 2015**

At your request, I hereby wish to confirm that I am well acquainted with the Hebrew and English languages and that, in my opinion, the translation of the above-referenced opinion, from English into Hebrew, attached herewith, is a correct translation.

For the avoidance of doubt, it is hereby clarified that in the event of any inconsistency between the text of the opinion in English and the translation into Hebrew of the aforesaid opinion, the text in English shall prevail.

I agree that this letter shall be included in the Prospectus of Urbancorp Inc., which is due to be published in November 2015.

Sincerely yours,

Nir Cohen Sasson, Attorney at Law
Shimonov & Co. Law Firm

[Following: Translation of the opinion to Hebrew]

Chapter 12 - Signatures

THE COMPANY:

Urbancorp Inc. _____

Directors:

Alan Saskin _____

David Mandell _____

Phillip Gales _____

Pricing Underwriter:

Apex Issuances Ltd.

(The said signature is in accordance with the provisions of Section 22 of the Securities Law, 5728 - 1968)

This is Exhibit "B" referred to in the Affidavit of M. Lilly Iannacito sworn April 10, 2018

Commissioner for Taking Affidavits (or as may be)

ANDREW WINTON

The District Court
In Tel-Aviv

Case _____

In the matter of:

Adv. Guy Gissin - the Company's Functionary of Urbancorp, Inc.
Canadian company no. 2471774The Companies
By attorneys' Adv. Yael Hershkovitz and/or Gilad Bergstein and/or Michael Misul
Of the law firm of Gissin & Co., Attorneys at law
Of 38B Ha'barzel St, Tel Aviv 69710
Tel: 03-7467777, Fax: 03-7467700

The Plaintiff

And in the matter:

1. Mr. Alan Saskin, QK 215602[1]

The Fuller Landau Group Inc. (as proposal trustee of Alan Saskin
By Attorney Adv. Ofer Zur et al
Of the law firm Gornitzky & Co. , Attorneys at Law
Of 45 Rothschild Blvd., Tel- Aviv 6578403
Telephone: 03-7109191; Fax: 03-5606555
Or
by attorney Adv. Gad Techo and/or Yishai Sidlovsky
Of the law firm Caspi & Co. , Attorneys at Law
Of 33 Yavitz St. Tel- Aviv 6578403
Telephone: 03-7961000; Fax: 03-7961001

2. TCC/Urbancorp Bay Stadium L.P

3. The Webster Trust

4. Urbancorp Management Inc.
The Defendants No.2 -4 by Attorney Adv. Ofer Zur et al
Of the law firm Gornitzky & Co.
Of 45 Rothschild Blvd., Tel- Aviv 6578403
Telephone: 03-7109191; Fax: 03-56065554

5. Urbancorp Holdco Inc.
The Fuller Landau Group Inc. (as proposal trustee of Alan Saskin)

---

[1] As detailed in Paragraph 8 below, to the understanding of the Functionary, as a matter of Canadian insolvency law, Mr. Saskin's personal insolvency proceedings impose a stay on proceedings against Mr. Saskin and an approval from the Canadian Court it will be required to pursue the case against Mr. Saskin.

by Attorney Adv. Ofer Zur et al
Of the law firm Gornitzky & Co.
Of 45 Rothschild Blvd., Tel- Aviv 6578403
Telephone: 03-7109191; Fax: 03-5606555

6. Doreen Saskin
155 Cumberland Street, Suite 1202
Toronto, Ontario, Canada M5R 1A2 — **The Defendants**

And in the matter: **The Official Receiver**
2 Ha'shlosha Street, Tel Aviv
Tel: 03-6899695, Fax: 02-6467558 — **The Official Receiver**

Nature of the Claim: Pecuniary Claim; Declarative Claim.

The Declarative claim: to declare that the Defendants or any of them, jointly and severally breached the undertakings they took in favor of the Company in the framework of and as condition to the Prospectus

The Pecuniary claim: NIS 95,628,659

Statement of Claim

This Claim is filed further to the investigations and examinations that Adv. Guy Gissin has carried out as a functionary in Urbancorp Inc. (in creditors arrangement proceedings) (hereinafter respectively: "**Functionary**" or "**Plaintiff**" and "**the Company**") and in accordance with the approval of Tel Aviv District Court as of 21.5.2017 and 24.5.2017 in the Liquidation Case 44348-04-16 (Classified Application for Instructions no. 37 before Honorable Judge Eitan Orenstein)(hereinafter according to the context: "**Insolvency Proceeding**" and "**Insolvency Court**"). Based upon the Functionary's investigations and examinations, , including on the basis of findings discovered by functionaries appointed to companies controlled by the Company in Canada, Defendant No. 1, who together with his wife (the Defendant No.6) (who are the Controlling Shareholder in the Company through Defendants No. 2-5) and certain private companies under their direct and/or indirect ownership and control (including the Defendants No. 2 – 5) breached the undertakings that they undertook in favour of the Company. On the basis of these undertakings, the Company issued bonds in Israel and raised NIS 180 million from the public in Israel in December 2015. The

Company relied upon these undertakings and included them in the Prospectus (as defined in Section A.2 herein) that it published in order to raise debt from the public in Israel. According to these undertakings, the Defendants or any one of them, were required to assign certain rights and assets to the Company, in consideration for issuing shares of the Company to corporations, under the ownership of the Defendants or any one of them, all as detailed below.

In addition, the findings of the investigations and examinations conducted by the Functionary show how the Defendants, or any one of them, unlawfully and/or without appropriate consideration transferred monies and assets of Company's subsidiaries in order to pay debts of Defendant No.1 and/or the companies under Defendant No. 1 and/or his wife's (the Defendant No.6's) ownership and control which are not the Company or Companies in the group, Including some of the defendants as detailed below. As detailed below, based upon the Functionary's investigations, the wrongful activities of the Defendants, or any one of them, have caused harm or financial shortfall to the Company and its subsidiaries in the amount of **approximately 32.5 million Canadian dollars.**

For all the reasons described in detail in the body of this Claim below, the Honorable Court is requested to instruct as follows:

a. Declaring that the Defendant No.1, Mr. Alan Saskin, the Controlling Shareholder of the Company, Chairman of the Board of Directors (hereinafter: "**Mr. Saskin**" or "**Controlling Shareholder**"), and the operating mind behind the Company's activities, including the companies under his control at the times relevant to this claim, has breached the undertakings contained in the prospectus as set forth in Sections C. 1. – C.4. below and ordering payment to the Company of the sum of **32,568,770 Canadian Dollars** jointly and severally with the other Defendants, as per the value according to the exchange rate at the date designated to [actually] perform all the obligations (**the total amount of NIS 95,628,659**);

b. Declaring that the Defendant No. 2, TCC/Urbancorp Bay Stadium LP. (hereinafter: "**TCC Stadium**") and Defendant No. 5 Urbancorp Holdco Inc. (hereinafter: "**Holdco**"), companies under ownership and control of Defendant

No.1 and Defendant No. 6 through which the undertakings pursuant to the Prospectus were given to the Company breached their undertakings contained in the Prospectus as set forth in Sections C. 1. – C.3. below and ordering payment to the Company of the sum of **29,298,770 Canadian Dollars** jointly and severally with the other Defendants, as per the value according to the exchange rate at the date designated to [actually] perform all the obligations (**the total amount of NIS 86,704,859**);

c. Declaring that the Defendants No. 3 and No. 6, The Webster Trust (hereinafter: "**Webster**"), and Mrs. Doreen Saskin (hereinafter: "**Mrs. Saskin**"), Mr. Saskin's wife, who owns the Defendants No. 2 - No. 5, jointly and severally with the other Defendants, have breached the undertakings in the Prospectus as set forth in Sections C. 1.- C.3., below and ordering payment to the Company of the sum **20 million Canadian dollars** jointly and severally with the other Defendants, as per the value in accordance with the exchange rate at the date designated to [actually] perform all the obligations (**the total amount of NIS 58,138,000**);

d. Declaring that the Defendant No. 4, Urbancorp Management Inc. (hereinafter: "**UMI**") jointly and severally with the other Defendants has breached the undertaking in the Prospectus as set forth in Sections C.1, C.2, and C.4 below and ordering payment to the Company of the sum 23 million Canadian dollars jointly and severally with the other Defendants as per the value in accordance with the exchange rate at the date designated to [actually] perform all the obligations (**the total amount of NIS 67,061,800**) (Webster, TCC Stadium, Holdco, and UMI are, collectively, hereinafter: "**the Family Companies**")[2];

e. Ordering all the Defendants, jointly and severally, to pay to the Company on the amounts found owing interest and linkage differentials and VAT in accordance with the law;

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[2] It should be clarified that according to information provided to Functionary, the companies Urbancorp Toronto Management Inc. And TCC / Urbancorp (Bay) LP, which are additional companies owned by Mr. Saskin and other family members, are among of the Family Companies that on one hand undertook to transfer assets to the Company and on the other hand received shares in Holdco. However, in view of the fact that these companies are subject to various insolvency proceedings in Canada, as well as the concern regarding the ability to cancel the stay of proceedings order, they are not parties to this proceeding, but the Functionary retains his rights to enclose them to the claim in the future.

f. Ordering the Defendants to pay appropriate expenses for filing this Claim and the Functionary's full legal fees;

g. In accordance with its inherent authority, the Honorable Court is requested to give any other relief as it sees fit.

Nothing stated in this Claim, represents an exhaustion of the Functionary's claims against any of the Defendants or against other third parties. The Functionary continues to investigate and examine the reasons for the collapse of the Company and reserves his right to appeal to the Honorable Court with suitable applications in the future (including a request for split remedies as necessary), whether against the Defendants in this Claim or against other third parties, as necessary. In this framework, the Functionary is examining the possibility of filing claims against the gatekeepers and insurance policies that insured their liability for damages, with respect to various acts and omissions, including the events, as set forth in this Claim.

BELOW ARE REASONS FOR THE CLAIM

A. INTRODUCTION

1. The Company was incorporated on 19.6.2015, pursuant to the laws of the Province of Ontario, Canada, specifically for the purpose of raising debt in the Israeli Financial Market to be invested in Real Estate in Canada by means of the issuance of public bonds to be registered for trading on the Tel-Aviv Stock Exchange. As from the date of completion of the aforementioned debt raising (December 2015), the Company through corporations under its ownership, dealt in developing, purchasing, leasing and selling commercial land and residential buildings as well as geothermal assets, in Ontario, Canada.

2. The Company issued approximately NIS 180,000,000 nominal value bonds (Series A) of the Company, that were registered for trading on the Tel-Aviv Stock Exchange on 9.1.2016, in accordance with the prospectus dated the 30th of November 2015, and amended on 7.12.2015 (hereinafter: **"the Issuance"** and **"the Prospectus"**). As part of the Issuance, the Company entered into a deed of trust, drawn up and signed on December 7, 2015 (hereinafter: the

"**Deed of Trust**") with Reznik Paz Nevo Trusts Ltd., as trustee (hereinafter: the "**Trustee**").

3. During March 2016, only three months after the registration of the bond for trading at the stock exchange, concerns related to the Company's activities were discovered, which eventually led to the Tel Aviv Stock Exchange's decision to halt trading in the Company's bonds on 21.4.2016, on the grounds that there is "[vagueness] impreciseness in the Company's affairs, as indicated in its Reports .....".
4. On 21.4.2016, at the initiative of Mr. Saskin, five of the Company's subsidiaries, which held the main assets in the group and whose surplus cash flow were meant to service the debt of the Company to the bondholders, commenced insolvency proceedings in Canada under the Companies' Creditors Arrangement Act hereinafter: (hereinafter "**the CCAA**").
5. On 24.4.2016, the Trustee, made a motion to the Honorable Court to appoint a Functionary. A temporary order prohibiting disposition was given by the Court. On 25.4.2016, the Court appointed Adv. Guy Gissin as the Functionary to the Company.
6. The Functionary and the team from his office, with the assistance of counsel and a financial adviser in Canada, and in some cases, in cooperation with the Canadian Officers appointed to companies in the group, have taken steps both in Israel and in Canada [3] to investigate the causes of the Company's collapse, including holding meetings, conducting investigations and inquiries with parties that were involved in the Company's activities.
7. As specified in detail below, the Functionary's investigation indicates (*inter alia*) that the Defendants acted unlawfully and contrary to the undertakings in the Prospectus, with the result that the Company has suffered damages in the approximate amount of 32.5 million Canadian dollars.

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[3] On 18.5.2016, the court in Canada recognized the decision of this Court sitting in judgment, and approved the proceedings in Israel as the Main Foreign Proceeding with respect to the Company, and the appointment and authority of Functionary as the Company's Foreign Representative.

B. THE PARTIES TO THE CLAIM

8. **Mr. Alan Saskin** is the controlling shareholder in the Company and its subsidiaries, Chairman of Company's Board of Directors, and the operating mind behind the Company's activities, including the wrongful conduct as detailed hereinafter, including the breach of undertakings in the Prospectus in favor of the Company that Mr. Saskin made both on his own behalf and on behalf of Mrs. Doreen Saskin and the Family Companies.

Mr. Saskin commenced proceedings personally under the Bankruptcy and Insolvency Act (hereinafter: the "**BIA**") in Canada and is currently trying to make a proposal to his creditors under the BIA. To the Functionary's best understanding, Mr. Saskin, undertook proceedings essentially similar to the process of compromise or arrangement according to Section 19a of the Bankruptcy Ordinance [New Version] 1980. The Fuller Landau Group Inc. was appointed (hereinafter: "**the Trustee of Mr. Saskin's Assets**") as proposal trustee in Mr. Saskin's bankruptcy proceedings[4].

The Functionary understands that as a matter of Canadian insolvency law, the BIA proceeding imposes a stay of proceedings as against Mr. Saskin and that permission from the court in Canada will be necessary in order to pursue this claim against Mr. Saskin[5]. Therefore, and in accordance with the approval of the Insolvency Court in its decisions of May 21, 2017 and May 24, 2017 (which were classified until the date of submission of this claim), shortly after the filing of this claim, the Functionary with the assistance of his counsel in Canada will file to the Canadian Court such appropriate application against Mr. Saskin. The Functionary is *inter alia* advised that under Canadian insolvency law, a claim that arises out of fraud or misappropriation while acting in a fiduciary capacity

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[4] The Trustee of Mr. Saskin's Assets is also the Functionary ("Monitor") that has been appointed monitor with respect to some of the group's subsidiary companies (hereinafter: the "**Edge Monitor**").

[5] In spite of Mr. Saskin's personal insolvency proceedings, a request to approve a class action filed against him in Israel (C.A. 1746-04-16 **Fechtold** v. **Urbancorp** et al.), In connection with his conduct, is proceeding without him requesting to enforce in Israel the stay of proceedings in Canada, while he is represented in the framework of the class action by his representatives from the Office of Caspi & Co.

or any debt arising from obtaining property or services by false pretenses or fraudulent misrepresentation cannot be released in a BIA proceeding.

"**1**" Copy of the Insolvency Court decisions of May 21, 2017 and May 24, 2017 is attached hereto **as Appendix 1**

9. **Mrs. Doreen Saskin** is Mr. Saskin's wife and directly or indirectly owns certain equity rights in the Family Companies. As described herein, Mr. Saskin made certain undertakings on behalf of Mrs. Saskin in the Prospectus which she either knew or ought to have known about. These undertakings were breached (as detailed below), causing the Company immense damage and/or shortfall. In the Prospectus, the Saskins (and to the Functionary's best knowledge, other family members and companies under the control of any of them as well), gave personal undertakings to the Company by virtue of the definition "as Rights Holders". See pg. A-8 (the second paragraph) of the Prospectus: "**the Controlling Shareholder and his family (hereinafter: "the Rights Holders**"). The Rights Holders are the same parties who as detailed below undertook to transfer certain assets and obligations to the Company, in the framework of and as a condition to the raising debt from the public in Israel and the issuance of bonds.. In exchange for transferring the rights and assets to the Company, the Rights Holders were entitled, **and indeed actually received**, the Company's shares, through Holdco.

The information that came to the attention of the Functionary as detailed below, and which is not included in the prospectus, shows that Dorin and Alan Saskin acted together through a group of companies (including the family companies), the responsibility for which was consistently shared so that Mrs. Dorin Saskin is the beneficiary (together with other family members or exclusively) of the capital value of those companies, while Alan Saskin is the sole responsible for their management. This separation is intended to protect the Saskin assets from the insolvency of Mr. Saskin, which apparently was already on the agenda at the time of raising the bonds. For example, with respect to Holdco, according to the information that was delivered to the Functionary (see Appendix 2 below), the voting shares are held by Mr. Saskin in trust in favor of

Mrs. Saskin, while the equity rights are held by the Defendants No. 2-4 together with two other companies) and granted mostly to Mrs. Saskin. In addition, the holdings in TCC Stadium include the management by Mr. Saskin and the rights of Mrs. Saskin as a limited partner only. Furthermore, in accordance with the report of the trustee for Mr. Saskin's assets dated May 24, 2016, Mr. Saskin has no monthly income and his expenses are financed by Mrs. Saskin, or by family foundations for which it was claimed that he receives not benefit. Apparently, another family foundation is Defendant No. 3.

The conclusion is that the separation between Mr. Saskin and Mrs. Saskin is an artificial separation which was intentionally carried out by the couple in order to prevent all of their creditors, both the individual and of the companies under their ownership, from being repaid from their assets, thereby causing the company, as creditor of the Saskin's couple and of companies under their ownership damage and / or shortfall.

10. In accordance with the declarations given by the **Family Companies** in the Insolvency Proceeding (Motion 33 before Honorable President of the Court Judge Orenstein), they indirectly hold shares in the Company, through the holding in Holdco. In the pleadings that were filed in the motion of Defendants No. 2-4 to join the Insolvency Proceeding, Defendants No. 2-4 (Motion no.33 specified as follows:[6]

> **"... the subject of discussion are three foreign companies, that as specified in the motion to join, hold shares in the Company subject of the proceedings ....., through a company called Urbancorp Holdco Inc.".**

As detailed below the Family Companies undertook in the Prospectus various undertakings that they breached. These same undertakings were the basis for the allocation of the Company's shares in their favor.

Defendants No.2 – No.4 allege that there is no significance to the question whether they hold (shares) in the Company, directly or indirectly. As stated in

[6] Section 4 of the answer to the Functionary's response to the Motion.

the answer to the Response that was filed by them in respect of Motion No. 33 (Section 10):

"It is unclear why the attempt to make a distinction (to which no legal basis was established), whether "direct shares holding in a Company in insolvency proceedings, or holding shares through another corporation. The subject of discussion is nothing more than a "technical" claim ....."

11. As stated, according to the declarations of the Family Companies to the Insolvency Court, the rights in Holdco are held by them, whilst Holdco itself directly holds the Company's shares that have been allocated to it in consideration for the undertakings of the Rights Holders as detailed above.

Moreover, the corporate chart and the explanatory page attached to it, that the Trustee of Mr. Saskin's Assets (Fuller Landau) provided to the creditors of Mr. Saskin, indicates that Mr. Saskin is registered as holding 100% of Holdco's shares for Mrs. Saskin (who is the Beneficial Owner). In addition, five types of class shares were allocated, which are held by the Defendants No. 2-4 and two other companies, which are also ultimately under the ownership of the Saskin couple.

Even though Holdco was issued shares in the Company, it does not appear that the Company received actual consideration as had been set out in the Prospectus.

"2" A copy of the corporate chart and the explanatory page attached to it that the Trustee of Mr. Saskin's Assets and the holdings chart that the Company's previous legal counsel provided to the Functionary, illustrating the Saskin couple's method/way of holdings in the Family Companies, is attached hereto **as Appendix 2.**

C. THE VARIOUS BREACHES OF THE UNDERTAKINGS IN THE PROSPECTUS

12. In the chapters below, we will describe in detail the Defendants' wrongful conduct, their breach of the undertakings to the Company as detailed in the

Prospectus and the resulting damage and/or shortfall caused to the Company, which amounts to approximately **32.5 million Canadian dollars**[7].

13. Below are details of the major incidents to which this Application relates and the damage and/or shortfall resulting from each breach:

(a) **A breach of the undertaking to assign to the Company's benefit loans from related parties with a value of 8 million Canadian dollars – Chapter C.1,** concerning which all the Defendants are jointly and severally liable.

(b) **A breach of the undertaking to make available to the Company equity [capital], an owners' contribution in the amount of 12 million Canadian– Chapter C.2,** concerning which all the Defendants are jointly and severally liable.

(c) **The transfer of residential units that were under the ownership of a company controlled by the Company to private creditors of Mr. Saskin for the value of approximately 10 million Canadian dollars – Chapter C.3,** for these activities Mr. Saskin, TCC Stadium, and Holdco (Defendants No.1, No.2 and No. 5) are jointly and severally liable.

(d) **The breach of the undertaking to transfer to the Company proceeds from the sale of the 952 Queen property in the amount of approximately 3 million dollars-Chapter C.4,** concerning which the Defendants, Mr Saskin and UMI (Defendants No. 1 and No. 4) are jointly and severally liable.

14. These breaches and the amount claimed are subject to further investigation by the Functionary who continues to investigate additional acts that raise suspicion of the wrongful transfer of assets as well as other wrongful acts that have been undertaken by Mr. & Mrs. Saskin, and additional family members, whether personally or through companies under their ownership or control.

15. The Functionary reserves the right to supplement the acts complained of herein and claim additional damages against the Defendants and such other family members and related companies as are appropriate. The Functionary

[7] As per the value in Shekels according to the exchange rate at the date destined to actually perform all the obligations.

further reserves the right to assert claims against additional third parties, including different gatekeepers (and from insurance policies that insured their damages liability) whose acts or omissions caused or contributed to the insolvency of the Company as well as the events that are the subject of this Claim.

C.1. <u>The first incident – a breach of the undertaking in the Prospectus to assign to the Company rights to proceeds from loans owing from related companies with a value of 8 million Canadian dollars</u>

16. Pursuant to the Prospectus, Mr. Saskin[8] undertook personally and on behalf of his family (including Mrs. Saskin, companies under their control including the Family Companies) to transfer, prior to registration for trading and subject to the success of the Issuance , to the Company's subsidiary companies their rights in real estate assets and the geothermal assets **against the allocation of shares to a Company under their ownership, as described in the Prospectus and to assign for the benefit of the Company the rights to proceeds of loans from Family Companies totaling 8 million Canadian dollars,** (hereinafter: "**the Assignment of Rights**").

17. The Prospectus provides as follows:[9]

<u>Pg. A- 8 (the second paragraph):</u>

The Controlling Shareholder and his family (hereinafter jointly: "**Interest Holders** ") shall transfer to the Company, prior to the listing of debentures (Series A) which are offered to the public under this Prospectus, their rights (including indirectly through Canadian corporations wholly owned and controlled by him) in five corporations which indirectly hold, the rights in investment properties and income-producing properties in Toronto, Ontario, Canada, as against the Issuance of Company's special class shares to a corporation held by the Rights Holders and

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[8] This Motion concerns the Saskin couple, but the Functionary reserves the right to act against other family members and companies owned by them that were partners in the violations of the prospectus and the smuggling of assets

[9] These things, were noted in a number of additional places in the Prospectus– see for example the second page of the Prospectus in paragraph 3, page I - 1 (section 9.2.1),

fully controlled by Saskin (hereinafter: **"the Transferred Interests"** and **"the Transferred Corporations"**, as the case may be).

Pg.G1 –G2 (paragraph 3.3.2):

3.3.2

Urbancorp Toronto. **Urbancorp Holdco Inc., Urbancorp Management Inc., Urbancorp Toronto Management Inc., The Webster Trust, TCC/Urbancorp (Bay)** Limited Partnership and Management Inc., **TCC/Urbancorp (Bay/Stadium) Limited Partnership.**

All entities held by Alan Saskin and his family members (hereinafter: "the Interest Holders"), have undertaken that prior to the listing on the TASE of the debentures (Series A), which are offered to the public pursuant to this Prospectus and subject to the success of the public offering, they will transfer their interests (including indirect ownership through interests of entities they own) in the transferred corporations which will indirectly hold interests in investment properties, rental properties and geothermal assets in Toronto, Ontario, Canada, including the obligations in respect thereof (hereinafter: "the Transferred Interests" and "the Transferred Corporations", respectively) against the issue of Class A Special shares, Class B Special shares, Class C Special shares, Class D Special shares, Class E special shares of the Company to Holdco, which will issue similar class shares , to the Interest Holders, and will be fully controlled by Saskin. It is noted that the transfer of Transferred Interests is not conditional on any suspensive conditions and shall come into force subject to the success of the public offering.

Pg. G5 – G6 (para. 7.1.6):

"7.1.6 Acquisition of the transferred companies by the Company from the Rights Holders against share allocation

The Rights Holders (as defined above) have committed that, prior to the prior to listing for trading on the stock exchange of debentures (Series A), offered to the

public pursuant to this prospectus, and subject to successful issuance to the public, they would transfer to the Company their rights (including indirectly through corporations owned thereby) in the transferred entities which indirectly hold rights to rental investment property, development property and geothermal assets in Toronto, Ontario in Canada, including the liabilities with respect thereto, and would assign the Company their right to the repayment of loans from entities held by them, which amounts to CAD 8,000 thousand Canadian dollar (hereinafter together: **"the Transferred Rights")** against issuance of a class of shares to Urbancorp Holdco Inc., a corporation wholly owned by Saskin, which will issue similar class shares to the Interest Holders, and will be fully controlled by Saskin."

"**3**" A copy of the second page in paragraph 3, A -8, C 1 – C2, G5 – G6 and I-1 to the Prospectus, are attached hereto as **Appendix 3.**

18. In fact, the assignment of rights to receive payment of loans owing from related companies was purported to be complied with by Urbancorp Toronto Management Inc. (hereinafter: "**UTMI**")(a private company under the ownership of the controlling shareholder) assigning two promissory notes (hereinafter: the "**Promissory Notes**") issued by TCC/Urbancorp (Bay) Limited Partnership (hereinafter: "**TCC Bay**"), in the respective amounts of $6 million and $2 million to the Company and to Urbancorp Realtyco Inc. on or about December 12, 2015[10].
19. TCC Bay is also in CCAA proceedings managed by KSV Kofman Inc. (hereinafter: "**KSV**") as a functionary (hereinafter, KSV in such capacity is the "**TCC Bay Monitor**"). The TCC Bay Monitor acted to realize on TCC Bay's assets, and according to the information provided to the Functionary, recoveries from assets that TCC Bay's subsidiaries own would likely be sufficient to fully satisfy TCC Bay's debts, including those by virtue of the Assignment of Rights. According to KSV, the limited partners of TCC Bay are Mr. Saskin and Mrs. Saskin (beneficially through a company she controls).

[10] The Promissory Note in the amount of 8 million Canadian dollars of TCC Bay in favor of UTMI was exchanged after the completion of the Issuance with two Promissory Notes as detailed above.

20. The Functionary filed a debt claim with TCC Bay Monitor in the amount of $6 million on the basis of the promissory note that was assigned by UTMI to the Company. The TCC Monitor disallowed the claim on the basis, inter alia, **that as of December 11, 2015, there was no debt owing by TCC Bay to UTMI and accordingly there was no consideration for the issuance of the Promissory Notes. It is understood that If the Promissory Notes are unenforceable as per TCC Bay Monitor arguments, there will have been a breach of the Prospectus and the Company would have issued shares to Holdco without receiving the full consideration it bargained for.**

"4" A copy of the debt claim, assignment documents and the TCC Bay Monitor's disallowance, are attached hereto as **Appendix 4.**

21. The Canadian Court, in a decision released 11.05.2017, upheld the TCC Bay Monitor's disallowance of the Functionary's claim. **In its decision the court expressly noted that Mr. Saskin must have known that there was nothing owing by TCC Bay to UTMI when he signed the Promissory Notes.**

"5" A copy of the decision of the Canadian Court is attached hereto as **Appendix 5.**

22. As a director of the Company, and in his capacity as an individual officer who signed the representation letter in the Prospectus, Mr. Saskin was in a fiduciary relationship with respect to the Assignment of Rights. The Functionary is advised that under Canadian insolvency law, a claim that arises out of fraud or misappropriation while acting in a fiduciary capacity or any debt arising from obtaining property or services by false pretenses or fraudulent misrepresentation cannot be released in a BIA proceeding.

23. According to the information received from the TCC Bay Monitor, as a result of the realization of TCC Bay assets, and the rejection of the Functionary's debt claim, and if certain other appeals from disallowances stand, TCC Bay's partners are expected to receive significant amounts. As matters currently stand, TCC Bay's limited partners could receive from the assets realization proceedings, distributions in excess of Canadian dollars $7 million, which based on an alleged pre-existing agreement between Mr. Saskin and Mrs.

Saskin's companies, would all be paid to a nominee of Mrs. Saskin. The Functionary has repeatedly requested that in spite of the potential invalidity of the Promissory Notes that Mrs. Saskin agree that any distribution she would receive from TCC Bay as a result of the invalidity of the Promissory Notes be paid to the Company in order to give effect to the undertaking taken by her, her husband and companies under their control in the Prospectus. To date, Mrs. Saskin has refused to agree to such request.

24. Under these circumstances, the Functionary saw fit to act on two levels in parallel: the first – in addition to appealing the TCC Bay Monitor's decision in the debt claim, the Functionary brought a motion before the Insolvency Court in Canada seeking a declaration that any funds payable to Mrs. Saskin or her company as a result of the invalidity of the Promissory Notes should be held in trust for and paid to the Company; the second – the filing of this Claim under review.

25. The Defendant No.2, TCC Stadium is guarantor to the performance of all the undertakings of TCC Bay with respect to the transfer of rights (hereinafter: **"the Letter of Guarantee").**

26. **Accordingly, if it is found that the Promissory Notes are invalid, then all the Defendants, jointly and severally, directly or indirectly, breached the undertakings in the Prospectus and caused the Company to suffer damages of no less than 8 million Canadian dollars, the total amount of NIS 22,842,400[11] which the Defendants jointly and severally have to repay to the Company via the fund (account) of the Functionary.**

27. The remedies sought in respect of this issue in this Claim, relate only to the 8 million Canadian dollars that the Defendants undertook in the Prospectus to assign to the Company, and do not relate to the undertakings in the Prospectus to transfer the rights in real estate assets and geothermal assets. With regard to these additional undertakings, examinations and investigations are still ongoing and the Functionary reserves the right to act with respect to these issues in the future, in any manner he will deem to be appropriate.

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[11] As per the value in Shekels according to the exchange rate as of December 10, 2015 (date of completion of the Issuance): NIS 2.8553

C.2. **The second breach – A breach of the obligation to provide the Company an owners' contribution in the amount of 12 million Canadian dollars.**

28. According to the Prospectus, the Defendants committed that, subject to the success of the Issuance, to provide the Company with an owners' contribution in the amount of 12 million Canadian dollars. (hereinafter: the "**Owners' Contribution**"), that would be contributed to the Company's pro forma equity.

The Prospectus (page A-7) provides:

"Saskin, the controlling shareholder in the Company, through a fully owned subsidiary, intends to provide the Company, subject to the success of the offering, an equity contribution, totaling CAD 12 million (hereinafter – the "Equity Contribution". Following said Equity Contribution, the pro forma equity attributable to the Company's shareholders (excluding minority interests) shall increase from CAD 72.5 million as set out in the pro forma statements as of June 30, 2015 to CAD 84.5 million (information which is based on the extent of the reported pro forma equity attributable to the Company's shareholders as of June 30, 2015)".

"**6**" A copy of page A-7 to the Prospectus, is attached hereto as **Appendix 6.**

29. Nonetheless, contrary to the undertakings in the Prospectus and contrary to the Company's public reports and those that Mr. Saskin provided, the "Owners' Contribution" was not made, either at the time of issuance or thereafter. Even after the subject was clarified and the Company reported that the funds were provided as required, it was discovered that, contrary to the reports to the public that were signed by Mr. Saskin (in the Company's name), an "Owners' Contribution" was never deposited into the Company's account, but rather in March 2016 , transferred by a third party lender, Terra Firma Capital Corporation (hereinafter: "**TFCC**") to the Canada Revenue Agency

(hereinafter: "**CRA**") for the purpose of paying outstanding value added tax payments in Canada (hereinafter: "**HST**") relating to the Edge project[12].

30. **The report filed by the Edge Monitor dated 8.6.2017 shows that the company in which behalf the HST payment was performed was already insolvent at the time of payment. The report shows in addition that the payment of HST actually reduced Mr. Saskin personal liability as director of the relevant company, jointly and severally with the company for the HST payment.. Accordingly, the payment to CRA of the HST actually reduced Mr. Saskin's personal exposure by $12 million.**

"**7**" Copy of the Report of Monitor Edge dated 8.6.2017 is attached hereto as **Appendix 7.**

31. In this context, the Company filed two reports (bearing Mr. Saskin's personal signature):

The first – on 2.1.2016 accordingly: "*.....On 31.12.2015, Mr. Saskin, the*

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[12] As stated in Report No.8 that was filed on the 30.3.2017 (Motion No.36) the Edge companies' group, which mainly includes the subsidiaries' holdings of the Edge project is managed separately by the Edge Monitor under the CCAA proceedings regarding the companies in the Edge Group. On January 25th 2017, the Functionary served the Edge Monitor with a debt claim totaling approximately 17 million Canadian Dollars, due to inter-company loans. This debt claim includes a sum of approximately 12 million Canadian Dollars transferred for HST payments regarding Edge Group assets. On March 3rd 2017, the Edge Monitor approved a sum of approximately 16.5 million Canadian Dollars out of the debt claim filed by the Functionary. The amount of the approved debt claim or part thereof has not, up to the date of filing this Application, been paid and in any event the Functionary does not expect to be paid from these funds the full amount that has been transferred as stated to CRA, if at all. The Edge Monitor will be bringing a proceeding against the CRA to seek the return of the HST payment as an unlawful preference under Canadian bankruptcy law. Should the Edge Monitor succeed in such application then the Functionary will be entitled to receive at least some of such monies. To the extent that the Functionary receives any amount whatsoever, if at all, on account of the HST recovery claim, it will be reported to the Court and such will credited against the Defendants' debts accordingly from this Motion.

Company's Controlling Shareholder provided through a company held entirely by him, an Owners' Contribution totaling the amount of approximately 12 million Canadian dollars to the Company's equity .....";

The second – On 10.3.2016, from which arose, *inter alia*, that the Owners' Contribution that was provided, prima facie, on 31.12.2015, was actually only 11,747,000 Canadian dollars ("12 million Canadian dollars less fees and expenses") and, more importantly, that this amount was never transferred to the Company, but to an account in the name of a subsidiary and the Company was never able to access the funds. Not only that, according to the Company report, pursuant to an undisclosed agreement between Mr. Saskin and TFCC, the Company had no right to use these funds, which were subject to the absolute control of TFCC.

Moreover, the report dated 10.3.2016 (personally signed by Mr. Saskin), claimed that that the flaw in the provision of capital was amended as required and stated in Section 4 that: **"a sum of 12 million Canadian Dollars was deposited in the Company's account on March 10th 2016"**. **However, the examinations and investigations carried out by the Functionary, his team, and his counsels in Canada indicate that this amount was never transferred to the Company's account.**

"8" A copy of the Company's Immediate Report, dated 2.1.2016, is attached hereto as **Appendix 8.**

"9" A copy of the Company's Immediate Report, dated 10.3.2016, is attached hereto as **Appendix 9.**

32. To complete the picture, on 28.3.2017, Mr. Saskin filed a response on his behalf to the request for approval for submitting a class action, Class Action 1746-04-16 **Fechtold** v. **Urbancorp et al** (hereinafter: **"the Request for Approval"**). In his response to the request for approval that was supported by an affidavit, Mr. Saskin abstained from commenting on what was stated in the report dated 10.3.2016 communicating that: **"a sum of 12 million Canadian Dollars was deposited in the Company's account on March 10th 2016"**, all his claims in this regard were that it was sufficient that the amount of 12 million Canadian

dollars "**has been provided in cash into an account owned by a subsidiary company under the full ownership of the Company** " in order to fulfill the undertaking in the Prospectus (see Section 12 of the affidavit that is attached to Mr. Saskin's response to the request for approval).

"**10**" The copy of Mr. Saskin's response to the request for approval, and his affidavit attached to it, is attached hereto as **Appendix 10.**

33. **However even this declaration is not accurate. The funds were not provided "into the an account owned by the subsidiary company....".** According to the examination that the Functionary carried out and information that was provided to him, on 6.3.2016, a letter of intent was signed, replacing the December 2015 letter of intent and side agreement between Holdco and TFCC. According to the letter of intent (Appendix 11 below), the funds, that were intended to be used for the purpose of the Owners' Contribution, were transferred directly by TFCC, in accordance with the agreement with TFCC and Mr. Saskin, and apparently directly from TFCC to Harris Sheaffer, a Canadian law firm that acted for a number of Mr. Saskin's companies, and from Harris Sheaffer to CRA to satisfy the Edge HST obligations. As detailed above, according to the report of Edge Monitor, that company was at the time already insolvent.
34. Not only were these funds not transferred not to the Company or its subsidiaries, but directly to CRA, but also, according to the Finance Agreement, the amount that was transferred from TFCC was only 10 million Canadian dollars and not 12 million Canadian dollars, as required in accordance with the undertaking in the Prospectus. In this context, Mr. Saskin claimed in his response to the Request for Approval, unintentionally and without providing details or written proof, that "collectively with certain additional amounts that were provided the amount of 12 million Canadian dollars was reached ". Mr. Saskin for his own reasons chose not to specify to which additional amounts he

was referring to.[13] **In any event, there is no dispute that the amount of 12 million Canadian dollars, was never transferred to the Company's account as a contribution to the Company Equity in contrast to undertakings Mr. Saskin undertook in the Prospectus and contrary to Mr. Saskin statements in the reports dated 2.1.2016 and 10.3.2016.**

"**11**" A copy of the Finance Agreement between Holdco and TFCC is attached hereto as **Appendix 11.**

35. Furthermore, on 8.3.2016, Mr. Saskin signed instructions [document], to assign a payment in the amount of 10 million Canadian dollars that was received from the TFCC as stated in the Finance Agreement, to the CRA. **In his response to the Request for Approval, and the affidavit attached to this response, Mr. Saskin confirms that these funds were transferred to the tax authorities in Canada and not to the Company – and the rest go and learn (that is, for the rest go learn by yourself).**[14]

"**12**" A copy of the instructions, dated 8.3.2016, to transfer the amount of 10 million Canadian dollars to the CRA, is attached hereto as **Appendix 12.**

36. **Therefore, the Owners' Contribution to be included in the equity was never transferred to the Company as required under the Prospectus, and the use of these funds to repay the Edge HST liability was never presented to the UCI board of directors was never approved In accordance to the signature rights in the Company**[15]**.** Mr. Saskin and his family member had a personal and direct interest in the transfer of the funds directly to the CRA because it allowed Mr. Saskin who served as a director of the subsidiary companies, to be released from alleged personal liability that was imposed on him due to the HST obligations of the Edge Company.

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[13] According to the information held by the Functionary, at least a part of the remaining amount of Owners' Contribution came from the funds of the Company itself in that money that UTMI should have paid to UCI was instead used to pay the balance of the $12 million HST obligation to CRA.

[14] The creditors' committee of the Edge Monitor (which also is the Saskin Proposal Trustee), instructed the Edge Monitor to seek repayment from CRA of the $12 million, as set forth in the Functionary's Report No. 8 dated 30.3.2017.

[15] To be exact, it should be noted that the matter was discussed at the Creditors Committee only *a posteriori* at the beginning of April 2016.

"**13**" The Company Boards of directors decision in the matter of signature rights is attached hereto as **Appendix 13.**

37. In addition, the use of funds (that should have gone to UCI as contribution to the Equity) to satisfy an obligation of an insolvent company for which Mr. Saskin may have been personally liable if not fulfilled must be characterized as a "related party transaction" for which Mr. Saskin as the Company controlling shareholder had a personal interest. Therefore, Mr. Saskin should have disqualified himself from being involved with in corporate decision making under both Israeli and Canadian corporate law.
38. In accordance with the provisions of Section 275 (c) and Section 270 (4a) of the Companies Law, 5759-1999 ("**the Companies Law**"), extraordinary transactions with the controlling shareholder or in respect of which the controlling shareholder has an interest, require the approval of the Company Board of Directors and of the Audit Committee as well. The Company expressly undertook in the prospectus to adopt and apply these provisions of the Companies Law, as stated in the prospectus and in page 12 of the Prospectus.

"**14**" Copy of the Prospectus relevant pages indicating the applicability of the Companies Law to the Company is attached hereto as **Appendix 14**.

39. Since Holdco, the Company through which Mr. Saskin sought to provide the Owners' Contribution, is held directly and indirectly, by the Family Companies and Mr. and Mrs. Saskin, the liability of these parties is requested, jointly and severally, and this is also because of the Defendants 2-4 position, as they themselves stated in the within the motion to join that it does not matter whether their holdings in the Company are direct or indirect as stated in Paragraph 10, above and because of the artificial separation carried out by the Saskin couple as detailed in Paragraph 9 above.
40. **In light of the foregoing, the Functionary seeks an Order requiring the Defendants', jointly and severally, to return to the Company the amount of**

the owners' contribution undertaking in the Prospectus, in the amount of 12 million Canadian dollars, totaling the amount of NIS 35,295,600[16].

G.3. **The third incident - The transfer of residential units in the value of approximately 10 million Canadian dollars in the Edge project of the Company to private creditors of Mr. Saskin contrary to the Prospectus (and in contradiction to the information that has been presented in the financial statements that were attached to the Prospectus that defined a part of the transaction (about 5 million Canadian dollars) as Owners' Contribution to the Company).**

41. Edge is a project under the ownership of a subsidiary of the Company. The project is located in the city of Toronto and includes 2 buildings of 21 and 22 stories. The project consists, *inter alia*, of dozens of residential units, commercials areas and offices for rent.

42. The investigations carried out by Functionary and his team show how commencing in July 2015, In parallel to the intensive activity of the Company to issue bonds and raise funds from the public in Israel, Mr. Saskin entered into an informal "creditors arrangement" to transfer units in the Edge project to a combination of his **personal creditors and those creditors of various companies in which the Company has no interest**, to satisfy amounts owed to those creditors. According to information provided to the Functionary, the cumulative value of the transferred units was approximately 10 million Canadian dollars. It is not superfluous to note that it was not disclosed in the Prospectus that Mr. Saskin or his companies were having financial difficulties and were unable to pay their creditors in ordinary course of business.

43. According to information provided to the Functionary, the personal creditors of Alan Saskin and/or of companies under his ownership were offered units in the project in exchange for debts towards such parties. It is not superfluous to note that this "creditors arrangement" and the use of residential units for the

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[16] According to the exchange rate dated 10.3.2016 (the date according to the publication dated 10.3.2016 (which became clear as being incorrect), the amount of 12 million dollars was transferred to the Company): NIS 2.8553.

benefit of repaying the Defendants' personal debts, including the economic hardships in which the Controlling Shareholder found himself, was by no means described in the Prospectus. Instead the pro formal financials in the Prospectus represented the Company as having a full ownership interest in the Edge Project and able to receive income from the units.

44. The most significant transaction that was made in this matter by Mr. Saskin was with a company called 994697 Ontario Inc. (hereinafter "**994**"), which was a partner in another unprofitable project of his, the Epic project. The agreement between Mr. Saskin and 994 includes, to the best of the Functionary's knowledge, the transfer of residential units, parking lots and storage rooms to 994 in exchange for the exit of Saskin's private company from the Epic project. To the best of the Functionary's knowledge, Epic is an unprofitable project, in which a company owned by Mr. Saskin and a subsidiary company of the TCC Stadium company, the Defendant No.2 above, were substantially indebted to 994 (hereinafter: "**994 Transaction**").

45. According to the information received by the Functionary, the residual surplus value that was transferred from a company under Mr. Saskin's ownership and TCC Stadium in the framework of the 994 Transaction against the debts of said company is approximately 4.960 million Canadian dollars. Therefore[17], the damage caused to the subsidiary company of the Company as result of this transaction is in the amount of 4.960 million Canadian dollars.

46. With respect to this transaction it is stated in the Prospectus (page G - 34) as follows:

"On June 22, 2015, the Company has entered into an agreement with the Partner terminating the Partnership Agreement, providing that the rental

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[17] The Functionary holds information received from the Edge Monitor in relation to the value of the excess units that were transferred as part of the 994 transaction, as detailed above, compared to the sums that 994 received in practice from the Edge Group. However, at the request of Monitor Edge and pursuant to the provisions of the confidentiality agreement that was signed between him and Functionary, the Functionary was asked not to include non-public information regarding the transfer of the units. Even if, to the best of the person's knowledge, the Defendants or some of them have a copy or access to the said letter, and in view of the confidentiality agreement, this letter will not be attached at this stage to the claim, and the Functionary reserves the right to do so in the future, as necessary, by means of a strictly classified and only to the Honorable Court eyes or a public Motion to the Honorable Court.

residential units in the project (rental property) are to be divided between the partners such that after such closing of such agreement (July 1st, 2015) the Company owns 53 residential units in the project and the partner owns 24 residential units".

"**15**" A copy of page G-34 from the Prospectus, is attached hereto as **Appendix 15.**

47. In the Company's pro forma Financial Statements dated 30.6.2015, that are attached to the Prospectus (Page 18 Section D), it is stated as follows:

"On June 22, 2015 the Company entered into an agreement with a third party, which is unrelated to the Company, which holds 33% of the mixed –use project that includes an income producing section, a development (entrepreneurship) section, and a geothermal system, known as "Edge" (Hereinafter; "**Edge**"). Within the agreement, the remaining assets were divided by Edge, so that the Company will hold 100% of the geothermal asset in 53 residential units, in office space and in office areas. In parallel to this transaction, the Controlling Shareholder stipulated a contract with the same third party to divide [split] another project between the parties. **The difference between the fair value of the assets and liabilities given and received from the projects as stated, respectively, was credited to (has been recognized as) the Owners' Contribution. On July 6, 2015, the transaction was completed.**

Determination of the fair value in a temporary manner

The initial accounting treatment, in the purchase of the Company's ownership (holdings) in Edge, as presented in the financial statements was temporary. Until the publication of the financial statements, the Company has not yet completed the allocation costs of the purchase of the assets, Edge's liabilities and contingent liabilities."

"**16**" A copy of the financial statements that are attached to the Prospectus is attached hereto as **Appendix 16.**

48. **According to the information that was provided to the Functionary, the result of the transaction with 994 was the transfer of assets with the value of 5 million dollars to creditors of Alan Saskin and/or other companies that he**

controls. However, in the financial statements included with the Prospectus, the difference in value of the two projects is presented as Mr. Sakin's Owners' Contribution to the Company.

49. For the purpose of this Claim, the Plaintiff makes a claim to pay damages and/or shortfall caused to the Company by the breach of undertakings as to the Owners' Contribution in the amount of **4.960 million Canadian dollar, totaling the amount of NIS 14,960,848**[18]

50. In addition to the "transaction" with 994, the report of Edge Monitor dated 13.6.2017 shows how commencing in August 2015 additional residential units from the Edge project were transferred to various creditors of Mr. Saskin and of companies that are not subsidiaries of the Company to the detriment of the Company, in an amount of **4,608,770 Canadian dollars, totaling the amount of NIS 13,606,011**[19]. The Functionary reserves his right to amend the amount as the Edge Monitor will continue to investigate and to update.

51. These units were, to the best of the Functionary's knowledge, assigned to private creditors of the Defendants' or any one of them in satisfaction of certain debts which were unrelated to the Edge project. No consideration for these transactions was received by Edge with the result that Edge equity was reduced, which but for these transactions would have been available to satisfy the debts of Edge, including those owed to the Company.

52. In section 7.7.6.1 of the Prospectus it is stated that the "...Company owns 53 residential units in the project and the partner owns 24 residential units". There is immediately following that sentence a footnote number 40 that states "The remaining units were used to repay third party contractors." However, this information as well is inaccurate and according to the information provided by the Edge Monitor, as of the the time of commencement of the insolvency proceedings of the Edge group, the Edge group owned only 37 residential units and 5 commercial spaces.

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[18] According to the exchange rate dated 1.7.2015 (the date of completion of the 994 Transaction): NIS 3.0163.

[19] According to the average exchange rate as of the signing date of each Purchase and sale Agreement: NIS 2.9522.

"**17**" Edge Monitor Report dated 13.6.2017 regarding the units assignment from the Edge group is attached hereto as **Appendix 17.**

"**18**" Edge Monitor Report dated 6.6.2017 (Paragraph 18) in the matter of the remaining units held by the Edge group is attached hereto as **Appendix 18.**

53. Appendix 22 below, reflects the concern of Mr. Philip Gales the Company's Vice President of Finance and Mr. Saskin's son-in-law (hereinafter: "**Mr. Gales**"), that a portion of the funds that were received from the sale of residential units in this project, were improperly transferred to parties outside the Company.

54. **All in all, because of this incident, assets having a value of approximately 9,568,770 Canadian dollars[20], the total amount of NIS 28,566,859 were wrongfully transferred from Edge to the ultimate detriment of the Company and in breach of the representations in the pro forma financial statements of the Company for the benefit of the repayment of debts of Defendants No.1 and No.2, together. For the damages and/or the shortfall caused to the Company, Holdco is liable as well as direct Controlling Shareholder of the Company.**

55. **In light of the foregoing, the Functionary seeks an Order requiring the Defendants No. 1, 2 and 5 jointly and severally, to repay to the Company the total amount of NIS 28,566,859.**

G.4 **The fourth incident - The breach of the obligation in the Prospectus to transfer proceeds from the sale of the interest in 952 Queen, in the amount of approximately 3 million dollars, and diverting the proceeds to other companies, under the ownership of Mr. Saskin, instead of to UCI.**

56. The 952 Queen Street project, is an asset owned by Urbancorp (952 Queen West) Inc., an indirect wholly owned subsidiary of the Company (see the

[20] 4,608,770+4,960,000

corporate chart – Appendix 2 above). 952 Queen is a project that includes an 8 floor residential building, with over 100 residential and commercial units.

57. This project was sold in October 2015, and the proceeds of such sale were meant to be used to cover the Company's current expenses. The Prospectus (see pages G100-G118) provided that:

"The management of the Company estimates that the cash flows from the current activities and the sale of project Queen 952 will allow it to finance its current activities".

"**19**" A copy of pages G100-G118 to the Prospectus, is attached hereto as **Appendix 19.**

58. However contrary to the representations in the Prospectus with respect to the use of the proceeds from the sale of the 952 Queen project in order to fund the Company's current activities, in fact these proceeds, totaling approximately 3 million Canadian dollars were transferred to other companies under the ownership of the Defendants' or one or more of them, in order to pay their obligations which were unrelated to the Company and for which the Company derived no benefit. To the best of the Functionary's knowledge, the transfer of these funds was undertaken without 952 Queen receiving proper consideration, without receiving the approvals required by law and without providing the disclosure and reporting as required and contrary to the representations in the Prospectus.

59. To the best of the Functionary's knowledge, approximately 1.5 million Canadian dollars was transferred to UTMI(Management Company under the private ownership of Mr. Saskin), the amount of approximately 732,000 Canadian dollars was transferred to TFCC to repay interest on debts of another one of Saskin's private companies. Moreover, a few days before the sale of the asset, a loan in the amount of 750,000 Canadian dollars was provided to UMI by TFCC, which was repaid a few days later from the proceeds that were received from 952 Queen.

"**20**" A copy of the documents that indicate the provision of the loan in the amount of 750,000 Canadian dollars to UMI, is attached hereto as **Appendix 20.**

"**21**" A copy of the notice of Mr. Gales electronic mail dated 10.4.2016, according to which the amount of 732,000 Canadian dollars was transferred to TFCC in order to repay the interest of another one of Saskin's companies, is attached hereto as **Appendix 21.**

60. On 22.3.2016, Mr. Gales sent to Mr. Eyal Geva, one of the Company's external directors, an email in response to the Audit Committee's letter to Mr. Gales dated 21.3.2016. The Audit Committee had requested explanations concerning the transfer of funds. From Mr. Gales' response, it became clear that at least 2.8 million Canadian dollars, arising from the sale of the Queen 952 asset, **was not transferred** in order to fund the Company's current activities, as undertaken in the Prospectus.

"**22**" A copy of the letter from the Audit Committee, dated 21.3.2016, and a copy of Mr. Gales email, dated 22.3.2016, to Mr. Geva, are attached hereto as **Appendix 22.**

61. Mr. Gales' email (Appendix 22 above), is consistent with the analysis of transactions with related parties that was provided to the Functionary by the Company's legal advisors in Israel (the Agmon office): "Related Party Offsetting via Fees and APs 25- March 2016". This table sets forth the economic relations between Urbancorp's group of companies (including Mr. Saskin's private companies) and the various projects [of Urbancorp] as of the same date. A review of the table illustrates that the amount of debts of the companies under Mr. Saskin's ownership for the Queen 952 project, stands at approximately 2.8 million Canadian dollars, the same amount that Mr. Gales refers to in his email notice dated 22.3.2016 (Appendix 17 above).

"**23**" A copy of the excel spreadsheet, is attached hereto as **Appendix 23.**

62. **Accordingly, as a result of the foregoing transactions approximately 3 million Canadian dollars, totaling an amount of approximately, NIS 8,923,800**[21]

[21] According to the exchange rate dated 19.10.2015 (the date of completion of the Queen 952 transaction): NIS2.9746.

wrongfully transferred from 952 Queen to and for the benefit of Mr. Saskin or UMI owned by him.

63. **In light of the forgoing,** The Functionary therefore seeks an Order requiring the Defendants No. 1 and No. 4**, jointly and severally, to repay the total amount of NIS 8,923,800.**

D. **CONCLUSION**

64. In our case there can be no dispute that the Prospectus constitutes a declaration of the rights and obligations of the Company. Therefore, the undertakings of the Defendants in favor the Company, as described in the Prospectus, are contractual obligations towards the Company. The Functionary acts on behalf of the company and since it is insolvent - his actions are in the interest of the creditors. Therefore, henceforth, the transactions described above constitute a breach of an explicit contractual obligation on the part of the Defendants, all of them, jointly and severally, towards the Company and / or its creditors, and that the Defendants, being all closely connected to each other under Mr. Saskin's direct or indirect control, and enjoying the allotment of the Company's shares pursuant to the Prospectus, wetr aware (or at least should have been aware) of the representations and undertakings given in the Prospectus for the purpose of raising funds from Israeli investors, and therefore, they are jointly and severally liable for the breaches of such representation and undertakings, particularly when they have benefited directly or indirectly from the said breaches. Therefore the Defendants are liable jointly and severally to the damages caused to the Company as result of said breaches.

65. In the circumstances described above, the Defendants are liable to the creditors' fund, jointly and severally, for the damage and / or shortfall caused to the Company as detailed above as result of the breach of contractual obligations under the Prospectus as well as by virtue of the Torts Law and under the Contracts Law (Remedies for Breach of Contract) 5731-1970..

66. A summary of the damage and/or the shortfall caused to the Company and its creditors with respect to the breaches and wrongful conduct as detailed above, stands in the amount of **32,568,770 Canadian dollars** as per their

value according to the exchange rate at the date designated to perform all the obligations **in the amount of NIS 95,628,659**, as detailed below:

Incident	In Canadian dollars	According to the rate	as of	Date	In NIS
1	8,000,000	NIS 2.8553	10/12/2015	The date of completion of the issuance	Nis 22,842.400
2	12,000,000	NIS 2.9413	10/03/2016	The date of publication of the report	Nis 35,295.600
3	4,960,000	NIS 3.0163	01/07/2015	The date of completion of the 994 Transaction	Nis 14,960.848
4	4,608,770	NIS 2.9522	See Footnote 19 above		Nis 13,606,011
4	3,000,000	NIS 2.9746	19/10/2015	The date of completion of the Queen 952 Transaction	Nis 8, 923,800
Total	32,568,770				Nis 95,628,659

67. In light of the above mentioned, the Honorable Court is requested to instruct as requested in the introduction of this Claim.

_____

Adv. Guy Gissin

Attorney, the Functionary of the Company Urbancorp, Inc.

Today, June 20, 2017, in Tel Aviv

This is Exhibit "C" referred to in the Affidavit of M. Lilly Iannacito sworn April 10, 2018

Commissioner for Taking Affidavits (or as may be)

ANDREW WINTON

District Court
Tel Aviv - Jaffa

Civil Action 46263-06-17
Before the Honorable Justice N. Shilo

The Plaintiff: **Adv. Guy Gissin - Officer for Urbancorp Inc.**
By the Counsel of Gissin & Co. Law Office, B38 Habarzel Street,
Tel Aviv 69710
Tel: 03-7467777; Fax: 03-7467700

The Defendants: **- v. -**

1. Mr. Alan Saskin
By Counsel Adv. Boaz Ben Tzur and/or Tomer Shartzi of 4 Berkowitz Street, Tel Aviv 6423806.
Tel.: 03-7101616; Fax: 03-7101617

2. TCC/Urbancorp Bay Stadium LP.
3. The Webster Trust
4. Urbancorp Management Inc.
5. Urbancorp Holdco Inc.
Defendants 2-5 by Counsel Advs. Dr. Roy Ben Kahn, 5 Azrieli Center,
Tel Aviv 6702501.
Tel.: 03-6962999; Fax: 03-6966191

6. Mrs. Doreen Saskin

By limited power of attorney for the filing of the Motion to Vacate Leave to Effect Service Outside the Jurisdiction
By Counsel Advs. Aharon Michaeli and/or Yehuda Rosenthal and/or Omri Ron-Tal and/or Tamar Yosef of Goldfarb Seligman & Co. Law Offices, of 98 Yigal Alon Street, Tel Aviv 6789141. Tel.: 03-7101616 Fax: 03-7101617

And: **The Official Receiver**

2 Haslhosha St., Tel Aviv 6706054.
Tel: 03-6899695; Fax: 02-6462502

Motion by Defendant 6 to Vacate Leave to Effect Service Outside the Jurisdiction Granted Ex-Parte Against Defendant 6

The Court is hereby moved, under Article 502 of the Civil Procedure Regulations, 5744-1984 (the "Regulations") to vacate its decision of June 26, 2017 in the "Motion for Leave to Effect Service Outside the Jurisdiction to Defendant 6 (Ex-Parte)" (the "Motion for Leave to Effect Service"), in which the Court permitted service to Defendant 6 of the Statement of Claim in Canada, to vacate the Leave to effect service granted, and to order that service on Defendant 6 in Canada took place unlawfully and is invalid and inconsequential, and therefore the action against Defendant 6 should be dismissed as well. In addition, the Court is moved to order the Plaintiff to bear the costs and attorneys' fees for this Motion.

The following are the grounds of the Motion:

A. Introduction

1. Leave to effect service in the action herein on Defendant 6 outside of the borders of Israel, granted by the Court upon the *ex-parte* motion of the Plaintiff (the "**Leave**") **should be vacated, as the conditions set forth by statute and caselaw for service of process outside of Israel are not satisfied with regard to Defendant 6.**

2. The starting point, as demonstrated by the Statement of Claim, is that **Defendant 6 is a citizen and resident of Canada - she is not a citizen or resident of Israel, and the Plaintiff makes no claim that she has assets, rights, or activities in Israel.**

3. Based on the claim in the action, the alleged ties of Defendant 6 to Israel involved the following three matters: (**a**) she is the **wife of Defendant 1**; (**b**) as **she allegedly holds rights in Canadian corporations**, which are claimed to be indirectly related to the **Canadian** company, Urbancorp Inc. ("**Urbancorp**"), of which Defendant 1 served as director and manager, which offered bonds on the Tel Aviv Stock Exchange and failed to repay them; (**c**) the bonds prospectus of **Urbancorp represented** that Defendant 1 had undertaken, in the name of his relatives, to transfer rights to Urbancorp, themselves or through Canadian corporations related thereto, while in consideration, Urbancorp would transfer rights to a Canadian corporation held by the relatives (actions which the Plaintiff claims were not performed).

4. The Statement of Claim demonstrates that there is no dispute:

   4.1 That Defendant 6 is not mentioned in the prospectus. The prospectus states that "The controlling share holder and his family members (hereinafter together: the "rightsholders") will transfer to the company …their rights…in corporations that hold indirectly rights in real estate properties for investment as well as yielding real estate assets in the city of Toronto…", yet the prospectus contains no definition of the term "family members" and no personal, direct and explicit reference to Defendant 6, whether by name or marital status as the wife of Defendant 1.

   4.2 **That Defendant 6 is not a signatory to the prospectus.**

4.3 That Defendant 6 **did not make, on her own**, any representation or undertaking within the prospectus

4.4 That Defendant 6**has not signed any document** confirming or creating undertaking on her part.

5. **Moreover**: in the action and Motion for Leave to Effect Service, **there is not even a shred of evidence that**:

5.1 Defendant 6 **created the alleged undertaking** described by the Plaintiff.

5.2 Defendant 6 gave her consent to the **alleged undertakings.**

5.3 Or that Defendant 6 had any knowledge whatsoever regarding the existence of such undertakings.

6. The Plaintiff claims, in the action and the Motion for Leave to Effect Service, that "Defendant 6 was aware or should have been aware" of the existence of the representation and undertaking described in the prospectus; **however, there is no doubt that this is a baseless statement that has nothing on which to rely: no evidence whatsoever (certainly not any positive evidence) and no legal presumption (as none exists** and in any case was not presented by the Plaintiff**).** Moreover, this argument contradicts the principle laid down in Israeli caselaw (though Israeli caselaw is irrelevant to the case): "**in the absence of a signature, the husband's knowledge is generally not attributed to his wife"(Civil Appeal (18) 3757/06 Perez v Bank Leumi (published in Nuevo 03/25/2008)).**

7. The claim in the action and the Motion for Leave to Effect Service that Defendant 6 is the holder of rights in Canadian corporations, which are indirectly related to Urbancorp, and that she was granted rights to them or even absolute property rights, **does not constitute any evidence that has relevance to the claim in the action against her, and cannot establish the cause of action set forth in the action against her.**

8. This is the case, in particular, when according to the Plaintiff , Defendant 1 was the controlling shareholder, the manager and the lifeblood behind the business activity, including the prospectus, raising the bonds, and the actions of Urbancorp - **while on the other hand, the Plaintiff has no claim, and certainly no evidence, that Defendant 6 had any involvement in the alleged business activity of Defendant 1 or any knowledge of the same.**

9. In any event, even if there were any reference to Defendant 6 in the prospectus (and this is not the case, as stated above), this does not constitute prima facie proof of the existence of a valid and binding contract between the Defendant and Urbancorp and/or the other Canadian corporations mentioned in the prospectus in relation to the transfer of any rights in favor of Urbancorp as alleged by the Plaintiff. The prospectus, by nature, is a binding agreement between Urbancorp and the bond holders and is not an agreement between Urbancorp and third parties. The Plaintiff does not refer to a specific, valid and binding agreement made between Urbancorp and the "family members" of Defendant 1 in general, and Defendant 6 in particular, in regard to the alleged undertakings, nor does he bring any evidence of any such agreement.

10. The lack of any factual basis, even on a prima facie level, for the claims against Defendant 6 is reinforced considering the fact that the law applicable to the personal and property relationships between the couple (Defendant 1 and Defendant 6), both in connection with the structure and activity of the Canadian corporations in which they allegedly have rights - **is Canadian law,** as the couple are its residents and citizens, and the aforesaid corporations were incorporated and managed thereunder. **The Plaintiff did not claim, and in any event, did not prove, even on a prima facie level, the Canadian law, and did not show how or why, under Canadian law, any liability or obligation can be imposed on Defendant 6.** It is noted that the Plaintiff also did not claim or prove, even on a prima facie level, even under Israeli law (which is not the relevant law) that there is any basis to the cause of action against Defendant 6, according to the claims made in the action and Motion for Leave to Effect Service.

11. As is well known, **the basic condition** for granting leave to effect service outside the jurisdiction is that there is a "**serious question to be debated**" regarding a defendant (Article 501(a) of the Regulations, Zussman, **Civil Procedure** (Seventh Edition), 247-248), i.e. that the party requesting leave has presented a detailed basis of claims and appropriate preliminary evidence proving the same. It is not enough to spread statements about the responsibility of the Defendant - it must be established, at the very least, with preliminary evidence. It is a basic rule that the Court will not grant a motion for leave to effect service outside of the jurisdiction that is not based on a formulated foundation of a claim and proper preliminary evidentiary foundation.

12. **In our case, other than empty clichés, the action and Motion for Leave to Effect Service do not have a formulated foundation of claim and certainly do not present an evidentiary basis - preliminary or at all - to the claims against Defendant 6.**

13. **This is particularly true when the Plaintiff fails to fulfill the basic provision set forth by law (Article 501(a) of the Regulations) according to which a motion for leave shall be supported by a lawful affidavit**, in which, under the provisions of the law, the Plaintiff is required to declare, *inter alia*, that he believes that he has an appropriate cause of action against Defendant 6, and if required, to be examined on his affidavit. **The Plaintiff's failure to uphold the basic obligation of filing an affidavit,** while making unreasonable and misleading excuses for why he does not have such a duty, is additional evidence of the fact that there is no room to grant the leave to effect service. In any event, this defect alone requires, under law, the summary dismissal of the Motion for Leave to Effect Service and vacating the lease of service granted ex-parte.

14. **In light of all of the above, it is clear that the other conditions for granting leave to effect service also are not satisfied with regard to Defendant 6, as it was not proved, even prima facie, that she is party to an agreement formed in Israel or that they intended to perform in Israel or that was breached (Articles 500(4) and 500(5) of the Regulations), and nor has it been proven, even prima facie, that Defendant 6 is a necessary and property party for the adjudication of the action against any of the other defendants (Article 500(1) of the Regulations).** As stated, the action and the Motion for Leave to Effect Service do not reveal preliminary evidence of a relationship or liability of Defendant 6 regarding the prospectus or the

conduct of the defendant corporations, and therefore, beyond the fact that the Motion should be dismissed due to the lack of establishment of a cause of action, the specific conditions for granting leave to effect service outside the jurisdiction are not satisfied, based on the alternatives of service claimed by the Plaintiff. In addition, the Court in Israel **is not the appropriate forum** for hearing the claims against Defendant 6.

15. Therefore, as will be detailed at length below, the leave to effect service outside the jurisdiction that was granted by the Court ex-parte should be vacated, the Motion for Leave to Effect Service should be dismissed, and as a result of all of the above - the action against Defendant 6 should be dismissed. Beyond all of the above, under the circumstances and in light of the necessary conclusion that there was no basis for filing the action against Defendant 6, and certainly not for filing the Motion for Leave to Effect Service Outside the Jurisdiction against her, the Plaintiff should be charged Defendant 6's real expenses in addition to attorney fees.

B. <u>The Facts Applicable to the Matter</u>

16. On June 20, 2017, the Plaintiff - according to the claim of the Officer of Urbancorp Inc. ("**Urbancorp**" or the "**Company**") filed a declarative and monetary claim to the Court in the amount of NIS 95,628,659 against a number of defendants, including Defendant 6.

17. The Plaintiff made the following claims, *inter alia*, in the action[1]:

    17.1 According to the Plaintiff, on June 19, 2015, Urbancorp was incorporated under the laws of the Ontario Province of Canada, to raise debt in the Israeli capital market, for the investment in Canadian real estate through the issue of bonds that would be listed for trade on the Tel Aviv Stock Exchange Ltd. (the "**Stock Exchange**"). Urbancorp issued approx. 180,000,000 par value bonds (Series A), listed for trade on the Stock Exchange on January 9, 2016 - in accordance with the prospectus dated November 30, 2015, and its amendment of December 7, 2015 (the "**Prospectus**");

    17.2 According to the Plaintiff, in March 2016, about three months after the bonds were listed for trade on the Stock Exchange; it became clear that there were difficulties in Urbancorp's operations which led to the Stock Exchange's decision to delist the bonds on April 21, 2016, due to "lack of clarity regarding the Company's affairs, as arising from its reports."

    17.3 According to the Plaintiff, on April 21, 2016, five subsidiaries of Urbancorp initiated insolvency proceedings in Canada under the Companies Creditors Arrangement Act. According to the Plaintiff, on April 24, 2016, the trustee of the bonds (Reznik Pas Nevo Trusts Ltd.) filed a motion to appoint an officer and a temporary injunction was issued against it, to prevent disposition. On April 25, 2016, the Court ordered the appointment of the Plaintiff as Officer for Urbancorp;

[1]It is emphasized that the reference of the factual claims, which are denied, of the Plaintiff in the Statement of Claim will not constitute an admission of Defendant 6 as to their veracity and/or derogate from the denial of any claim of the Plaintiff in the action and generally.

17.4 The Plaintiff claims that Defendant 1 is the "controlling shareholder of the Company and its subsidiaries, chairman of the board of directors of the Company, and the lifeblood behind the Company's operations, including its improper conduct... Including violations of the Company's obligations vis-a-vis the Company, both on behalf of his wife, Mrs. Doreen Saskin and the family companies" (Section 8 of the statement of claim);

17.5 The Plaintiff alleges that Defendant 6 is "the holder of the capital rights, directly and indirectly, in Defendants 2 -5... **Mr. Saskin undertook certain commitments on behalf of Mrs. Saskin in the Prospectus, of which she was aware and/or should have been aware.** These commitments were breached and caused damages to the Company and/or enormous losses. Within the Prospectus, **the Saskin couple** (to the best of the Officer's knowledge, the other relatives and companies controlled by either of them) undertook personal commitments vis-a-vis the Company based on their definition as "holders of rights"... "holders of rights" are the same entities that... have undertaken to transfer assets to the Company and certain undertakings, within and as a condition for raising from the public in Israel and the issuance of the bonds. Against the transfer of the rights and assets to the Company, the holders of the rights were entitled to, and actually received, shares of the Company through Holdco (Defendant 5), which they own" (Section 13 of the Motion);

17.6 The Plaintiff shall claim that based on information that he received other than the Prospectus, it arose that "Doreen and Alan Saskin acted jointly through a group of companies (including the family companies) for which liability was divided consistency, such that Mrs. Doreen Saskin is the beneficiary (together with additional relatives or exclusively) from the capital value of the same companies, while Alan Saskin is the only bearer of liability arising from their management. This distinction is intended to protect the assets of the Saskin couple against the insolvency of Mr. Saskin, which seemingly had already been an issue on the date of raising the bonds. **Any distinction between Mr. Saskin and Mrs. Saskin is artificial**, and was made by the couple intentionally in order to prevent all of their creditors, both personal and of the companies that they own, to be repaid from their assets, thus effectively causing to the Company, as a creditor of the Saskin couple and the companies that they own, damages and/or loss" (Section 15 of the Motion for Leave to Effect Service);

17.7 The Plaintiff alleges that based on information that he received from sources other than the prospectus, that "Doreen and Alan Saskin acted together by means of a group of Companies (including the Family Companies), responsibility for which was consistently distributed such that Doreen Saskin was the beneficiary (together with additional family members or exclusively) of the capital value of those same companies, whereas Alan Saskin is exclusively responsible for their management. This separation was intended to protect the Saskin's assets from Mr. Saskin's insolvency which was apparently already on the horizon at the time the bonds were offered. **Any distinction between Mr. Saskin and Mrs. Saskin is solely artificial** and was done by the couple intentionally in order to prevent their creditors, both private and those of the companies under their ownership,

from obtaining payment by means of their assets and thus in practice, the company incurred damages as a creditor of the Saskins and the company's which they owned" (paragraph 15 of the Motion for Leave to Effect Service);

17.8 The Plaintiff shall claim that Defendants 2-4 (referred to by him as the "**Family Companies**") hold shares of Defendant 5, **Urbancorp Holdco Inc.** ("**Holdco**"), through it, indirectly, shares of Urbancorp as well. The Plaintiff claims that in accordance with the corporate chart and the explanatory notes, prepared by the proposed trustee of Defendant 1's assets within the bankruptcy proceedings of Defendant 1 in Canada, it arose that Defendant 1 holds 100% of the common shares of Holdco for Defendant 6 (which he claims is the "beneficial owner"). According to the Plaintiff, beyond this, five types of class shares held by Defendants 2-4 were allocated, and two additional companies that are owned by Defendant 1 and Defendant 6;

17.9 The Plaintiff claims that the Defendants violated their undertakings pursuant to the prospectus vis-a-vis Urbancorp, and caused damages to the Company amounting to about **CAD 32.5 million.** In the action, the Plaintiff lists **four violations** to which the action refers, while **two of them** are also directed against Defendant 6 (jointly and severally with the other defendants in the action) (respectively, the "**First Alleged Violation**" and the "**Second Alleged Violation**"): (**a**) a violation of the undertaking to assign to Urbancorp rights to repayment of loans from affiliated parties with a value of about CAD 8 million (Sections 16-27 of the Statement of Claim); (**b**) a violation of the undertaking to provide Urbancorp with "owner contributions" to capital in the amount of about CAD 12 million (Sections 28-40 of the Statement of Claim).

17.10 For the First Alleged Violation and the Second Alleged Violation, the Plaintiff seeks to charge Defendant 6, jointly and severally with the other defendants, a total of CAD 20 million, in the value in accordance with the exchange rate on the date designated for the execution of the undertakings, which he claims is the total sum of **NIS 58,138,000.**

18. On June 26, 2017, the Plaintiff filed a motion for leave to effect service outside the jurisdiction to Defendant 6 (ex-parte) (the Motion for Leave to Effect Service, as defined above), within which he requested that the Court grant leave to effect service of the action to Defendant 6, "**a foreign citizen residing, to the best of the Officer's knowledge, in Ontario, Canada, included in this Statement of Claim, outside of the jurisdiction**" (page 2 of the Motion). Within the Motion for Leave to Effect Service, the Plaintiff claimed that the grounds for service outside the jurisdiction are satisfied in accordance with Articles 500(4), 500(5) and 500(10) of the Regulations. The Court granted the Motion on the same day (June 26, 2017), ex-parte.

19. On October 4, 2017, the Statement of Claim was served to Defendant 6 in Canada, subject to the consent between representatives of the Plaintiff and representatives of Defendant 6 whereby this took place without the same derogating from any claim, grounds, right, or remedy of Defendant 6, including the right to claim lack of grounds for leave to effect service outside the jurisdiction or *forum non-conveniens*.

20. On October 18, 2017, the Court was notified of this matter and of the representation of Defendant 6 by the undersigned, based on a limited power of attorney as set forth therein.

C. Motion to Vacate Leave to Effect Service - the Procedural Framework

21. When the Court decides whether to permit leave to effect service outside of the jurisdiction, it must examine the existence of **three aggregate conditions**, as follows: **(a)** whether the applicant has a "**serious question to be debated**" regarding the cause of action itself (Article 501(a) of the Regulations); **(b)** whether (at least) one of the "**grounds for service**" are met (Article 500); **(c)** whether the Israeli court is the "**appropriate forum**" in which to hear the action.

22. The Court is of the opinion that it must exercise caution in this regard, *inter alia*, since such a decision grants the Court jurisdiction to hear an action which generally it would not have jurisdiction to hear, and that this may lead to a conflict of jurisdictions between judicial instances in Israel and outside of Israel.

23. This was discussed by the Supreme Court in Leave for Civil Appeal 8042/12 **Reifman v. Dr. Marc Richter** (published in Nevo, January 15, 2013) (the "**Reifman Case**"), as follows:

> *"It has often been ruled that the Court in Israel is required to take **a cautious approach** when examining whether to allow leave to effect service to a litigant located outside of the borders of the State. This caution is required, inter alia, due to the fact that service outside of the jurisdiction grants the court jurisdiction to hear the action **which it would generally not have jurisdiction to hear**, and for the reason that granting leave as stated may lead to a **conflict of jurisdictions between the judicial instances in various countries, and harm to international rules of comity...** An applicant for leave to effect service is therefore required to prove that the matter falls within the purview of **one of the alternatives set forth in Article 500 of the** Civil Procedure Regulations, even at the stage which addresses, as in our case, the motion to vacate leave to effect service issued initially ex-parte... An applicant for leave must continue to show that other than the "cause of service," **there is also a cause of action on the merits of the matter that raises a "serious question to be debated,"** although this context refers to a lower level of proof than that required within the proceeding itself, and this question is intended only to ensure that the claim is not a baseless or futile action... After all of this, the court still has discretion to decide whether to permit the service, given all of the circumstances of the concrete case... In this context, the court can consider, for example, considerations relating to the **appropriateness of the forum**."*

24. A motion for leave to effect service that is granted ex-parte, as in our case, reopens the motion or leave to effect service outside of the jurisdiction again, **as if no decision had been made**.

25. In Civil Action 4601/02 **Rada Electronics Industries Ltd. v. Bodstray Company Ltd**, P.D. 58 (2) 465, it was held that the hearing in the motion to vacate leave to effect service is essentially a

hearing in the original motion to grant leave to effect service, and the burden of proof regarding the existence of the conditions for the service of the pleadings outside of the jurisdiction is imposed on the Plaintiff, as follows:

> *"The motion for leave to effect service outside of the jurisdiction is, by its very nature, a motion made ex-parte. Once the court grants the motion, and once the pleading is filed to the defendant in the foreign country, the defendant may file a motion to vacate leave to effect service (Article 502(b) of the Civil Procedure Regulations). Although we are not dealing with a temporary relief, the procedural rules in this case are no different than those applicable in cases in which a litigant seeks to annul temporary relief granted by one party.* ***Therefore, the burden is imposed on the original applicant, which is the Plaintiff in our case.*** *Even the hearing before the parties, which was scheduled once the motion to vacate was filed,* ***is effectively a hearing on the original motion."***

In Class Action 23241-09-16 **Hotels.com v. Cilis** (published in Nevo, June 21, 2017), this rule was reinforced, as follows:

> *"The starting point for examining a motion to vacate leave is that the applicant for the leave bears the burden of showing justification for granting the leave."*

26. It therefore arises that the Court must examine, **anew and according to all of the claims**, whether the Motion for Leave to Effect Service meets the conditions justifying leave to effect service of the Statement of Claim against Defendant 6 outside of the jurisdiction, **when the burden of proof for the existence of the conditions is imposed on the Plaintiff.**

27. As stated above and as will be set forth below, the Plaintiff does not meet the burden of persuasion imposed on him as an applicant for leave to effect service outside the jurisdiction, since he does not meet any of the conditions set forth by law and caselaw for such leave to be granted, and all of the conditions are certainly not met in the aggregate. Therefore, the motion to vacate leave to effect service should be granted, the original Motion for Leave to Effect Service should be denied, and the leave to effect service should be terminated. It should further be held that service to Defendant 6 in Canada occurred unlawfully and lacks any force and validity, and therefore the action against Defendant 6 should be dismissed as well.

D. <u>The Plaintiff's Motion for Service Outside of the Jurisdiction Should be Summarily Dismissed Due to the Absence of an Affidavit</u>

28. As will be explained below, the Motion for Leave to Effect Service should be summarily dismissed since the Plaintiff has not satisfied the provisions of the Regulations and has not supported the motion with a lawful affidavit.

29. Article 501(a) of the Regulations provides that a party seeking leave to serve pleadings outside of the State's jurisdiction must support the motion with an affidavit, as follows:

> "A Motion for Leave to Effect Service to a defendant outside of the boundaries of the State **will have an affidavit attached** that states that the affiant believes that the applicant has a good cause of action, as well as the place or country where the defendant is or might be located, as well as grounds for the motion."

30. In our case, **the Plaintiff failed to support the Motion for Leave to Effect Service with an affidavit**, thus violating the explicit requirement set forth in Article 501(a) of the Regulations. This is sufficient to require the Motion for Leave to Effect Service granted to be summarily dismissed.

31. The Plaintiff explained this omission by claiming that "in accordance with established caselaw whereby when a litigant files a motion that relies on information and data that has been accumulated by the officer within his position - as has occurred in our case - the officer will be exempt from attaching an affidavit, and in any event, a motion as stated that is filed by an officer should be considered an affidavit" (Section 27 of the Motion).

32. **The Plaintiff's claim is unfounded**, as pursuant to caselaw, **an officer is not sweepingly exempt from filing an affidavit and being examined thereon**, unless the following two conditions are satisfied, in the aggregate: **(a)** the proceeding is collective, such as a motion for instructions; **(b)** under the circumstances, there is no substantive necessity to examine the factual claims of the officer for the purpose of a decision in the motion.

33. The rule in this regard was established in Civil Action 5709/99 **Levin v. Schiller**, P.D. 55(4) 925, as follows:

> *"An officer on behalf of the court, such as court receivers, liquidators, trustees in bankruptcies and estate managers, all act within their functions under the oversight of the court. In proceedings that are initiated for instructions, the assumption is that they bring to the court an established factual basis, which often does not require further examination and investigation by way of filing an affidavit and examination thereon, as expected from an officer that operates under the guise of the court.* ***However, one cannot rule out the possibility that situations exist in which an officer is required to support his motion with an affidavit to verify facts that he claims, and an examination of factual claims as stated is required in such a case as well***."

34. In Leave for Civil Appeal 543/07 **Mizrahi Tefahot Bank Ltd. v. Rovina** (published in Nevo, June 25, 2007), the Supreme Court discussed the main rationale for excluding officers from the obligation to submit an affidavit - which is that often, in a collective proceeding, the factual basis on which the officer relies is not considered personal knowledge. However, it is clarified that this is not a sweeping exemption, as follows:

> *"Indeed, generally it is not necessary to require an affidavit from an officer on behalf of the court, such as a receiver, liquidator, trustee in a bankruptcy and estate manager. The reason for this is that often, the factual basis on which the aforesaid officers rely in their claims before the court is not their personal knowledge, and it*

would not be expected that they should be subject to cross-examination regarding the same. This is especially true regarding an officer in a collective proceeding, such as a liquidation or bankruptcy. However, this rule has exceptions as well. An officer in a collective proceeding may be required to support his claims with an affidavit, where the same is required substantively..."

See also **A. Wolowski** in his book "**Receiver in Corporate Law**" (Second Edition, 2004), p. 480.

35. **In our case, none of the cumulative conditions for the exemption of an officer from filing an affidavit is fulfilled:**

35.1 **First**: Our case is not a motion for instructions within a collective proceeding, but rather is an **ordinary civil case** that was filed by the officer against Defendant 6 *et al*, in which he filed a motion to effect service outside of the jurisdiction;

35.2 **Second**: There is substantive necessity in examining the factual claims of the officer for the purpose of deciding in the Motion for Leave to Effect Service, as the basic condition for granting leave to effect service is the presentation of a preliminary evidentiary basis for the fulfillment of all of the conditions for granting leave to effect service outside of the jurisdiction, under the relevant service alternatives, including the existence of a proper and established cause of action. A basic condition for submitting evidence to the court is through an affidavit supporting them (at least to the best our knowledge in an interim proceeding; see Article 521 of the Regulations). Without a duly formed affidavit, it is clear that the motion for leave should be summarily dismissed, as it cannot satisfy the requirements of the law at the outset;

35.3 Furthermore: Article 501(a) explicitly states that in a motion for leave to effect service, **the applicant must declare, *inter alia*, that he believes that he has a good cause of action.** Meaning, **without such a statement - and providing the other party the ability to examine the applicant thereon - there is no possibility or room to grant the motion.** This condition is reinforced in this case, where - as will be set forth below - seemingly there is no cause of action against Defendant 6, and certainly no proper cause of action based on prima facie evidence;

35.4 **Third**: In our case, even the rationale for the rule not to require an officer to file an affidavit is not met, since as opposed to cases in which the officer cannot declare facts from personal knowledge - in our case, there is no impediment for the Plaintiff to declare, based on his knowledge, as one who prepared a claim and examined its factual and legal basis, that he has a good cause of action against Defendant 6. It is no coincidence that the Plaintiff refrained from providing an affidavit.

36. It is noted that the judgments to which the Plaintiff referred, where it was held that an officer is not required to file an affidavit, does not conflict with the above - **since the circumstances in the same cases are materially different from the circumstances of the case here:**

36.1 **As to Leave for Civil Appeal 5524-12 Atamana v. Erez (published in Nevo, November 20, 2012) (the "Atamana Case"):**

In the **Atamana Case**, the request was to examine an accountant appointed on behalf of the officer, in order to examine debt claims. Meaning, this was a clear case of a **collective proceeding** that was held before the insolvency court, as opposed to our case, where we are dealing with an ordinary civil case, in which there is no substantive difference between a plaintiff as an ordinary man and a plaintiff who is an officer on behalf of the court.

Moreover, **in the Atamana Case**, the applicants there filed a complaint against a person who assisted an officer in the preparation of an opinion for the court, only after they received the opinion. In light of this complaint, the applicants requested to examine the officer. The court held that their delay (until after their receipt of the opinion) indicates lack of good faith. Such circumstances do not exist in our case.

36.2 **As to Leave for Civil Appeal 1753/16 Oron v. Hetkof Ltd. (in stay of proceedings) (published in Nevo, March 10, 2016) and Liquidations Case (Nazareth) 39024-12-10 Hetkof Industries (of the Brand Group) Ltd. v. Official Receiver (published in Nevo, June 24, 2016) (the "Hetkof Case"):**

In both decisions given **in the Hetkof Case**, the matter referred to a collective proceeding - as opposed to our case, where we are dealing with an ordinary civil action and a motion to effect service outside of the jurisdiction.

Moreover, in both cases **in the Hetkof Case**, the claims were severe claims made by the founder of the company against the officer on behalf of the court, within proceedings initiated by the founder of the company. It was therefore held that "*the applicant bears the burden to present a prima facie evidentiary basis to prove his claims, and the trustee does not bear the burden to prove its integrity.*" (Liquidations Case 39024-12-10, page 7). It was further determined that the applicant is required to establish "*the serious claims of conflict of interests justifying the imposition of personal liability on the trustee***"** (Leave for Civil Appeal 1753/16, para. 8). This is in contrast to our case, **in which the officer initiated the motion here.** Therefore, the burden to prove that the "affiant believes that the applicant has a good cause of action" (Article 501(a) of the Regulations) is imposed on him.

37. Needless to say, there is no room for the alternative claim of the Plaintiff, whereby the motion should be considered to be an affidavit on his behalf in any event. This claim has no basis in law and is a dangerous and groundless claim whereby a person can refrain from filing an affidavit and then claim that he is not required to, as the pleading can be deemed an affidavit. However, the legislator explicitly stipulated a requirement to submit an affidavit that would be duly prepared.

38. **In summary**: The Plaintiff was required to support the Motion with a lawful affidavit stating, *inter alia*, "that the Applicant has a good cause of action," in accordance with Article 501(a). Since he failed to do so, the Plaintiff's Motion to Effect Service Outside of the Jurisdiction should be summarily dismissed, and consequently, the leave for service should be terminated, and all that entails.

E. The Lack of a "Serious Question to be Debated" - in Light of the Lack of a Cause of Action against Defendant 6 and the Lack of a Shred of Evidence Suitable to this Action

E (1) Normative background

39. When the Court decides whether to permit service outside of the jurisdiction of the State of Israel, it must examine, *inter alia*, whether the applicant's claim discloses a cause of action fit to be argued against the foreign litigant, revealing a "serious question to be debated." This requirement originates in Article 501(a) of the Regulations, which provides that a motion for leave to effect service outside of the boundaries of the State will have an affidavit attached that states that the affiant believes that the applicant has a good cause of action.

40. In order for the Court to determine that a statement of claim raises a "serious question to be debated," the applicant must prove the existence of all of the following conditions: **(a)** the cause of action exists beyond any reasonable doubt; **(b)** the existence of preliminary evidence appropriate for the action - as opposed to the dispersal of merely baseless statements regarding the liability of the respondent.

41. In this regard, Dr. **Zussman** explained in his book (**Civil Procedure** (Seventh Edition) ("**Zussman**") on page 247-248) that the court must be convinced that based on the evidence presented before it, there is a "serious question to be debated" before bothering the defendant regarding litigation in Israel, as follows:

> "The test is - as determined recently by the House of Lords in England - **if the evidence brought before the court raises a serious question to be debated.** Although the judge will not debate the merits of the matter, at this early stage and on the basis of the affidavit only, unless [the court] is convinced on a prima facie basis that the plaintiff has a cause of action that should be adjudicated, it will not use discretion for the benefit of the plaintiff, and will not trouble the defendant to litigate in Israel."

42. The scholar, **M. Keshet,** in his book (**Procedural Rights and the Civil Procedure in Practice**, (2007), at p. 175), makes it clear that for the purpose of granting leave for service, the cause of action must exist beyond any reasonable doubt and should be supported by prima facie evidence, as follows:

> "The condition of 'a good cause of action' is mentioned in Article 501, whereby an applicant for leave to effect service overseas will attach to the motion an 'affidavit stating that the affiant believes that the applicant has a good cause of action.' In the absence of cause, the action will be dismissed under Article 100(1) of the Regulations. This indicates the need for an affidavit to prove the grounds, **for the possibility - and perhaps the duty - of the court to examine the 'seriousness' of the claim in the action, as a type of 'preliminary evidence'...** It is possible that the proper test is like that defined in Article 362, namely, 'prima facie credible evidence of the existence of

> the cause of the action.' Therefore, the **cause of action must exist beyond any doubt, and the claim must be supported as a cause of action with appropriate preliminary evidence.** Of course, they should not be as persuasive as in the motion for temporary relief... However, **no leave to effect service will be granted without prima facie evidence."**

43. It was held in the **Reifman's case** that in order to prove the existence of a "serious question to be debated," **it is not sufficient to disperse baseless statements** regarding the liability of the respondent, without detailing the clear factual claims. The applicant for leave to effect service outside of the jurisdiction must present at least prima facie evidence of the claims against the foreign defendant, as follows:

> *"The court of the previous instance held that it had not been presented with evidence 'even prima facie and preliminary' and that the applicants dispersed baseless statements regarding the respondent's liability, including as an officer of Moriah, without supporting them in a clear factual argument... Under these circumstances, it appears that the motion to serve a third party notice, insofar as it relates to the respondent's liability, is baseless, and in any event, does not establish in this case a 'serious question to be debated' that justifies granting the motion"* (Para. 6).

44. We will show below that in our case, the Motion for Leave to Effect Service does not meet the conditions required for proof of the existence of a "serious question to be debated" against Defendant 6.

E(2) <u>There is no basis of claims or evidentiary basis for the existence of a cause of action against Defendant 6</u>

E(2)(1) <u>General</u>

45. As will be clarified below, the two claims - the "cause of action," which was made by the Plaintiff against Defendant 6 - do not establish a cause of action against her, and the Plaintiff certainly has not presented a sufficient formulated basis of claims and evidence for its existence.

46. In order to illustrate the baselessness of the Plaintiff's "legal thesis," we will show below a number of claims against Defendant 6, as presented in the action, and the same will clarify the extent to which it cannot be seriously claimed that the Plaintiff's claims regarding the breach of alleged "prospectus obligations" can be made against Defendant 6, and effectively, the same alleged "prospectus obligations" do not relate to Defendant 6 at all, and are irrelevant to her, and in any event, certainly are illogical and baseless.

E(2)(2) <u>The First Alleged Violation</u>

47. The course of the First Alleged Violation against Defendant 6 is as follows (Chapter C.1 in the Statement of Claim):

47.1 The Plaintiff alleges "breach of the prospectus obligations to assign to the Company the rights to repayment of loans extended by related corporations at a value of CAD 8 million" (Title of Chapter C1);

47.2 According to the Plaintiff, within the Prospectus published by Urbancorp to raise bonds from the public in Israel, Defendant 1 undertook personally and on behalf of his family, they would assign to the Company their rights in the family companies (Defendants 2-4) for receipts from loans in the amount of about CAD 8 million against the allocation of shares of Urbancorp to a company that they owed (Section 16 of the Action);

47.3 According to the Plaintiff, the company Urbancorp Toronto Management Inc. - **a company owned by Defendant 1** - was supposed to assign to subsidiaries of Urbancorp two promissory notes in a total amount of approximately CAD 8 million, as follows: (a) a promissory note in the amount of approximately CAD 6 million, issued thereto by TCC/Urbancorp (Bay) Limited Partnership; (b) a promissory note in the amount of about CAD 2 million issued thereto by Urbancorp Realtyco Inc. (respectively: "**UTMI**"; "**TCC Bay**"; "**Realtyco**") (Section 18 of the Action);

47.4 According to the Plaintiff, since TCC Bay is insolvent, it filed a debt claim in the amount of CAD 6 million to its (Canadian) officer (the "**TCC Bay Monitor**"), which was rejected due to the claim that on December 11, 2015 (the date of the assignment of the promissory note) there was no debt of TCC Bay to UTMI. The Plaintiff further claims that the Canadian Court, in its decision of May 11, 2017, approved the dismissal of the debt claim and even stated in the judgment that Defendant 1 should certainly have known that there is a debt of TCC Bay to UTMI, when signing the promissory note (Sections 19-21 of the action);

47.5 According to the Plaintiff, the TCC Bay Monitor informed him that as a result of the exercise of the assets of TCC Bay and the rejection of the debt claim filed by the Plaintiff, the shareholders of TCC Bay are expected to receive a total of about CAD 7 million. The Plaintiff further claims that "according to the Saskin couple, the agreement that allegedly exists between Mr. Saskin and the companies owned by Mrs. Saskin, these amounts will be paid in full in trust for Mrs. Saskin" (Section 23 of the action).

48. The Plaintiff's claim in this regard can therefore be summarized as follows: the assignment of the rights for receipts from the loans was supposed to be performed **by UTMI** which is, as stated, according to the Plaintiff, "**a private company owned by the controlling shareholder," i.e. a company controlled by Defendant 1** (Section 18 of the Action).

49. Meaning, according to the Plaintiff's claim, **Defendant 1** undertook in the Prospectus that a company **under his control** would transfer financial rights to Urbancorp (an undertaking that the Plaintiff claims was not executed).

50. Nevertheless, the Plaintiff claims that there is a cause of action for Urbancorp against Defendant 6 as well, who (according to the Plaintiff) constitutes as one of Defendant 1's "family members" on behalf of which Defendant 1 gave undertakings in the prospectus (although this is not stated in any form in the prospectus, as the prospectus does not define the term "family members" that constitute

the "rightsholders" in the corporations alleged to have undertaken to transfer right to Urbancorp). However, this is inconceivable, since as stated, this is a company that, **according to the Plaintiff's claim**, was not even under the control of Defendant 6, but rather was under the control of Defendant 1

51. Therefore, it is clear that there can be no relevance to the Plaintiff's claim that a prospectus undertaking was made on behalf of Defendant 6 as well in the context of the transfer of the financial rights of a company under Defendant 1's control to Urbancorp. **It is therefore clear that this is a claim that does not even pass the abatement test, and certainly this claim does not meet the test of the existence of proper evidence (as will be clarified below).**

E(2)(3) <u>The Second Alleged Violation</u>

52. The course of the Second Alleged Violation against Defendant 6 is as follows (Chapter C.2 in the Statement of Claim):

    52.1 The Plaintiff's claim is of a "breach of a prospectus undertaking to provide shareholder contributions in the amount of CAD 12 million" (the title of Chapter C.2. of the action);

    52.2 According to the Plaintiff, within the Prospectus, Defendant 1 undertook that "Saskin, the controlling shareholder, intended to provide the Company, through a company fully held by Saskin, subject to the success of the issuance, shareholder contributions amounting to a total of CAD 12 million" (Section 28 of the Statement of Claim; page 7a of the issuance prospectus);

    52.3 According to the Plaintiff, "in reality, contrary to the prospectus undertaking and contrary to the reports to the public made by the company, ad those filed by Mr. Saskin, the shareholder contribution was not even performed on the issuance date or thereafter" (Section 29 of the Statement of Claim);

    52.4 According to the Plaintiff, "since Holdco, the company through which Mr. Saskin requested to provide the shareholder contribution, is directly and indirectly held by family companies and Mr. and Mrs. Saskin, these entities should be jointly and severally charged" (Section 39 of the Statement of Claim).

53. It therefore arises that according to the Plaintiff's claim, this is an undertaking to provide shareholder contributions undertaken by Defendant 1 himself-solely, **(without purporting to undertake on behalf of his family members in this regard and certainly not on behalf of Defendant 6 who is not mentioned in the prospectus, as stated previously),** and that the aforesaid undertaking was supposed to be performed **by a company that is under the full control of Defendant 1.**

54. However, according to the Plaintiff, there is a cause of action for the Company against Defendant 6, despite the fact that we are dealing with an undertaking that according to the Plaintiff Defendant 1 allegedly assumed solely, **without explanation as to how there is rivalry and a cause of action against Defendant 6**.

55. It is therefore clear that this undertaking also cannot be relevant, or establish a cause of action against Defendant 6, as **according to the Prospectus itself - Defendant 6 was not supposed to execute it. Here too, this is a claim that does not even pass the abatement test, and certainly does not meet the test the existence of proper evidence (as will be clarified below).**

E(2)(4) <u>There is no serious, logical or established cause of action, even prima facie, against Defendant 6</u>

56. Based on the above, it is clear that the claim against Defendant 6, whereby the facts alleged by the Plaintiff himself, all rely on the assumption that Defendant 6 can be "dressed" with alleged obligations by virtue of a prospectus to which she is not a party nor a signatory, not withstanding that she never assumed or participated in such undertakings – this, without any evidentiary basis. **One case**: refers to an alleged undertaking made by defendant 1 in his name and on behalf of his "family members" (while Defendant 6 is neither mentioned nor defined as a party to the alleged undertaking of Defendant 1), and certainly it was not proved that there was an undertaking made by Defendant 6 herself. **The second case**: does not even claim that the undertaking was made on behalf of the "family members" of Defendant 1and certainly not on behalf of Defendant 6 - and in any event, it is an undertaking which, according to the claim, was supposed to be executed by companies that by the claim of the Plaintiff were under the control of Defendant 1 solely.

57. **It is therefore clear that in reality, there is no proper, serious, and logical cause of action against Defendant 6, and this is even based on the action itself.**

58. Despite the fact that this is a baseless and unprecedented legal construction, and despite the requirement by law to indicate a cause of action that raises a serious question in order to justify the application of the jurisdiction of Israeli courts over the foreign defendants, the Plaintiff did not indicate a cause of action based on which he argues Defendant 6 should be liable for a breach of an (alleged) undertaking, as even according to the Plaintiff himself, Defendant 6 did not make the same undertaking. The Plaintiff relied on vague claims whereby Defendant 6 was aware or should have been aware of these undertakings.

59. **However, the Plaintiff did not present even preliminary evidence of the claim that Defendant 6 was aware of the aforesaid undertakings made, according to the Plaintiff, by Defendant 1 on behalf of his family members. In the dozens of exhibits attached by the Plaintiff to the Statement of Claim, which span no less than 632 pages, the Plaintiff did not show an agreement, letter, or any other evidence that indicates an undertaking or consent of Defendant 6 to take part in the aforesaid undertakings, or even Defendant 6's knowledge of the aforesaid undertakings. There is a reason why the Plaintiff did not support with an affidavit his claim that Defendant 6 was "aware" of the aforesaid undertakings, as these statements are baseless, even according to that which arises from the action and the Motion for Leave to Effect Service.**

60. **The Plaintiff also did not bring any legal basis to support his claims that Defendant 6 should have been aware of the aforesaid undertakings.** Please note: the alleged fact that Defendant 6 is

married to Defendant 1, or the alleged fact that Defendant 6 is the holder of certain rights in Canadian corporations together with Defendant 1 **does not establish, under the provisions of any law, a presumption that all of the actions performed by Defendant 1 were known to or should have been known, agreed upon and binding to Defendant 6.** In any event, the Plaintiff did not present any legal obligation establishing such a presumption.

61. Please note: since this matter refers to a Canadian couple and rights to Canadian corporations, **the Plaintiff should have referred to Canadian law** and presented, thereunder and based thereon, a basis regarding the existence of actual knowledge of Defendant 6 regarding the actions that the Plaintiff attributes to Defendant 1. The Plaintiff did not do so, for good reason, and certainly not by filing an opinion regarding the provisions of Canadian law on the matter.

62. **Even under Israeli law, which as stated is not the law relevant to the matter, there is no basis for the existence of actual or practical knowledge** due to the fact that Defendants 1 and 6 are married, and the fact that Defendant 6 has allegedly certain rights in Canadian corporations together with Defendant 1. In practice, in light of the Plaintiff's claims the Defendant 1 is the lifeblood and actual manager of all of the corporations, and was also the controlling shareholder of the corporations that bore the relevant undertakings, as stated in the prospectus it is certainly clear that there can be no legal basis for the existence of a cause of action against Defendant 6 with the action's claims.

63. **In any event, without derogating from all of the above, the Plaintiff also did not present any legal reference whereby even if Defendant 6 had any knowledge, actually or practically, of the undertaking allegedly made by Defendant 1 in the Prospectus, establishes a cause of action against her.** This is particularly true when the facts claimed by the Plaintiff are that Defendant 1 is the manager of the corporations and business, and that the companies that are supposed to execute the undertakings are under the control of Defendant 1 himself.

64. In Section 65 of the Statement of Claim, the Plaintiff claims that "the Defendants owe to the creditors' fund, jointly and severally, for damage and/or loss caused to the Company as set forth above and as a result of the breach of contractual undertakings under the issuance prospectus, as well as under tort law and under Contract Law (Remedies for Breach of Contract), 5731-1970." Therefore, the causes of action that the Plaintiff attributes to the Defendants, including Defendant 6, are **a contractual cause of action and tort cause of action.**

65. However, baselessly mentioning tort law and contract law does not indicate a cause of action against Defendant 6. The Plaintiff is required to specify, in the action and certainly in the Motion for Leave to Effect Service, the specific causes of action that he claims against Defendant 6 and to prove, with prima facie claims and evidence, the fulfillment of their elements against Defendant 6. **The Plaintiff did not do so and sufficed with a general, vague, and impulsive argument, behind which there is no coherent and logical basis, and certainly no evidentiary foundation - not even prima facie and minimal.**

66. Therefore, for this reason, it should be held that the Plaintiff did not meet the burden of persuasion imposed thereon regarding the existence of a formulated and established cause of action as required against Defendant 6, the Motion here should be granted, the Motion for Leave to Effect Service should be vacated, and the leave granted should be terminated, and all that entails and implies.

E(3) The Plaintiff did not present a basis whereby under Canadian law, he has a cause of action against Defendant 6

e(3)(1)General

67. As stated above, according to the Plaintiff, he has a contractual and tort cause of action against Defendant 6 (Section 65 of the Statement of Claim). This claim is baseless, and as stated above and hereinafter, it is not a formulated and logical claim, and certainly was not proved, even to the minimal level required. In any event, as will be clarified below, the Plaintiff did not prove that under Canadian law - which is the law relevant to Defendant 6 - it has any cause of action against her.

E(3)(1) Canadian law applies to the alleged cause of action Against Defendant 6

Canadian law applies to the contractual cause of action

68. Regarding the contractual cause of action: The Plaintiff claims that Defendant 6 did not sign the prospectus at the subject of the action, but that Defendant 1 undertook in her name, as follows (Section 13 of the Motion for Leave to Effect Service):

> "Mr. Saskin undertook certain commitments **on behalf of** Mrs. Saskin in the Prospectus, of which she was aware and/or should have been aware. These commitments were breached and caused damages to the Company and/or enormous losses. As part of the prospectus, the Saskin couple... Have undertaken personal obligations toward the Company by virtue of their definition as "holders of rights" ... The holders of rights are the same entities that, as set forth below, have undertaken to transfer assets to the Company and certain undertakings, within and as a condition for raising from the public in Israel and the issuance of the bonds."

69. Since the Plaintiff does not claim that Defendant 6 signed the Prospectus, but rather that Defendant 1 made an undertaking in her name - the Plaintiff is required to present a prima facie basis of claims and evidence whereby Defendant 6 was indeed party to these alleged contractual undertakings, meaning, that she had a contractual obligation vis-a-vis Urbancorp.

70. As stated above, the Plaintiff did not lay down a factual and evidentiary basis to substantiate the existence of the Defendant's contractual obligation to do the allegation in the Claim. As stated, the Plaintiff's only argument in this context is that "the Defendant knew or should have known" about

the commitment made on her behalf, as stated, but as stated above, this is a claim that is no more than mere words, with no legal or evidentiary basis.

71. Therefore, the necessary consequence is vacating the Motion for Leave to Effect Service, as ordered in another case by the Supreme Court, in Civil Action 9725/04 **Ashburn Agency and Commerce Ltd. v. CAE Electronics Ltd.** (published in Nevo, September 4, 2007) (the "**Ashburn Case**"), as follows:

> *"It was indeed correct to cancel the leave to effect service. This is because the appellant did not meet the specific burden imposed on an applicant for leave to effect service outside the jurisdiction, as to the existence of a contract between him and the other party."*

72. Regarding the relevant law: although the prospectus assumes the laws of the State of Israel (page A-1 of the Prospectus), when the question at dispute is the very existence of a valid contract between the parties, it is necessary to turn to the law with the nearest and most concrete ties to the contract. In this regard, see the remarks of **S. Wasserstein-Fassberg in** her book (**Private International Law** (2013) ("**Wasserstein-Fassberg**") pages 502-504), as follows:

> "Different laws stipulate different conditions for an agreement to benefit from binding legal jurisdiction... Even in this context, when the contract has an explicit choice of law, the question arises as to whether this is the law under which to examine the question of whether or not a contract was made... It seems that there is a basis for the conclusion that the law selected, on its own, is not appropriate to be the law within which the question of whether the parties were able to form a binding contract should be examined, **and that it is necessary to turn to the law with the nearest and more concrete ties to the contract in this regard** (the objective law of the contract), even when the parties chose that a certain law would apply in the relationship between them."

73. In the case herein, the question at dispute is whether the Prospectus applies to Defendant 6. The law with the closest and most concrete ties to this question is the law of the place of residence of Defendant 6, i.e. **the laws of Canada.** This is because any conclusion otherwise would lead to ab absurd situation in which a person residing in a given country can be tied to an agreed formed in a different country, without the same person intending to engage in the same contract or even being aware of the fact that he was possibly engaging in the same contract.

74. See in this regard the remarks written by S. Wasserstein-Gassberg, ***id***. Page 1505, as follows:

> "Nevertheless, **there are cases in which the law of the contract should not be applied in this matter at all, whether mentioned in the contract or the law most closely tied to the transaction.** The exampled discussed in literature is that the offeree sits in his country and receives an offer from the country of the offeror, and the offer states that the law of the offeror's country will be the law of the contract, while

> pursuant to the offeror's law, as opposed to the offeree's law, silence on the part of the offeree is sufficient to constitute acceptance. The same issues arise when the offeror does not identify a law for the proposed contract, but under the law with the closest ties to the transaction, silence of the offeree is sufficient to constitute acceptance. In such a case, the application of the law that is the contract's law, were it formed, may harm the offeree. **When assessing the conduct of the offeree under the law that would apply to the unformed contract is unreasonable, we agree that the offeree may rely on his ordinary place of residence."**

75. **This is certainly true with regard, in our case, to an undertaking allegedly made vis-a-vis Canadian corporations, by a citizen and resident of Canada, who has no ties or connection to Israel.**

The Canadian law applies to the tort cause of action

76. Regarding the tort cause of action: it is completely unclear what tort cause of action is attributed to Defendant 6 (in Section 65 of the Statement of Claim, the Plaintiff merely made baseless statements that Defendant 6 is allegedly liable "under tort law").

77. In any event, regardless of the tort offense attributed to Defendant 6, it is emphasized that the law applicable to the tort offense is the law of the place where it was committed.

78. In this regard, it was held in Civil Action 1432/03 **Yanon Production and Marketing of Food Products Ltd. v. Karan, P.D.** 59(1) 345, as follows:

> *"The reference to the law of the place where the offense was committed rests on the principle of territoriality, which plays a central role in private (and public) international law.* ***The accepted approach regarding territorial sovereignty brings with it the view that the law applicable in the place where the action was caused should dictate the results of the same action ...*** *Recourse to the law of the place where the wrong is committed is also justified because it offers an answer to the issue (and obligation) of the states to regulate the public order in their territory, in accordance with the principle of territorial sovereignty. Tort laws create rules of conduct that are largely rules that held the state ensure public order... We knew that the torts laws were intended to achieve important public objectives of deterrence, dispersion of damage, encouragement of purchasing insurance, and more. Moreover, the place where the wrong was committed usually constitutes the only objective connection of the wrong to any state. The tort offense is not connected to the status or person, and its connection derives solely from the acts of that person."*

79. In Misc. Civil Motion (Nazareth) 1856/05 **Philip Morris USA Inc. v. Jerries** (published in Nevo, August 8, 2005), a personal injury claim was addressed, which was filed by an Israeli consumer against an American manufacturer of a tobacco company. The court held that the law applicable to the alleged offense was American law, as follows:

> *"The recourse to the place where the offense was committed rests on the principle of territoriality, which plays a central role in private international law, and is also consistent with the expectations of the reasonable person, whereby his conduct will be measured based on the law applicable in the place where he is located. In their case, the offense, if it was committed, and I am not ruling in this regard, was performed in the United States, and therefore the law applicable to the matter is American law."*

80. That is the case in our matter: there is no dispute that Defendant 6 is a resident of Canada. It is not claimed, and no preliminary evidence was brought, whereby Defendant 6 performed the alleged offenses in a country other than the place of her residence. In practice, based on the claim in the action, it is actually clear that the tort offenses claimed to Defendant 6 were performed (allegedly) in Canada, since the matter refers to the non-transfer of rights between Canadian individuals and corporations, and therefore, according to established caselaw, the law applicable to the tortious cause against Defendant 6 is certainly Canadian law.

E(3)(2) <u>The Plaintiff did not claim or present preliminary evidence that a cause of action exists against Defendant 6 under Canadian law</u>

81. As stated, in order to show that he has a cause of action against Defendant 6 - the Plaintiff should have claimed and proved, through **an expert opinion regarding Canadian law**, that under Canadian law, the Plaintiff has a contractual cause of action against Defendant 6, as the Prospectus constitutes a binding agreement between her and Urbancorp, and that under Canadian law, the Plaintiff has a tortious cause of action against Defendant 6. In any event, the Plaintiff should have claimed and proved, through an expert opinion for Canadian law, the **elements of the creation of the contractual engagement in Canada and prove that they are met in our case.**

82. This is the case under given caselaw whereby the **one relying on foreign law must claim and prove the same law as a matter of fact** (Leave for Civil Appeal 3924/01 **Hess Form Licht Company v. Clalit Electrical Engineering Ltd.** (published in Nevo, February 10, 2002)).

83. **Since the Plaintiff did not claim and did not bring preliminary evidence of the fact that under Canadian law, the alleged actions and omissions of Defendant 6 establish a cause of action against her, he failed to establish, even on a prima facie level, the existence of grounds as stated, and it must therefore be held, for this reason as well, that the action does not raise "*a serious question to be debated*" against Defendant 6.**

84. In this regard, see the ruling of the Court in Civil Action 50765-05-16 **U.V. Galil Engineering Ltd. v. Eggersmann Anlagenbau Concept Gmbh** (published in Nevo, February 28, 2017), as follows:

> *"The foreign law is a matter of fact that must be proved. With all due respect, the fact that it appears to be very logical and reasonable to the applicant that the respondent breached the agreement between them and owes it money still does not prove that there is a cause of action under the applicant law, i.e. English law.* ***In order for the***

> ***applicant to prove that there is a cause of action under the applicable law, the applicant must attach an opinion regarding the foreign law*** *that supports the claim that there is a cause of action under English law.* ***Since the plaintiff did not attach an opinion regarding the foreign law, it did not prove that there is a cause of action fit to be adjudicated."***

In any event, it should be emphasized, as will be presented below

85. As stated, the law applicable to our matter is Canadian law. In any event, it should be emphasized, for the sake of legal caution only - even under Israeli law, the Prospectus does not constitute a binding agreement between Urbancorp and Defendant 6, and the Plaintiff's claims do not establish a serious and appropriate cause of action against her.

E(4) <u>Even under Israeli law, no agreement was formed between Urbancorp and Defendant 6</u>

E(4)(1) <u>Under Israeli law, an agreement cannot be formed without the consent of the parties</u>

86. As stated, even if the Plaintiff claimed and proved that Israeli law was the law relevant under the circumstances of the matter (which was not the case) - he must specify how he has a cause of action against Defendant 6, and cannot rely on dispersing baseless statements against her, such as "any distinction between Mr. Saskin and Mrs. Saskin is no more than an artificial distinction" or that "Mrs. Saskin knew and/or should have known" of the undertakings assumed by Defendant 1.

87. The Statement of Claim is deliberately **ambiguous** regarding the question of how the Plaintiff can attributed to Defendant 6, as required in the Agreement (the Prospectus), without claiming that she signed nor is a party to the Agreement or was involved in any manner in the negotiations preceding it.

88. Therefore, it is appropriate to return to **basic concepts in contract law.**

89. The scholars **D. Friedman and N. Cohen**, in their book, **Contracts** (Vol. I, 1991, pp. 156-157) ("**Friedman and Cohen**") explain that the basis for signing an agreement is the consent of the parties and their resolve to enter into it, as follows:

> "**Consent is the basis of the contract.** In the language of the Contracts Law: the offer is the one that "indicates the resolve of the offeror to enter into a contract with the offeree" (section 2). The same applies to acceptance: it must testify to the offeree's resolve to enter into a contract with the offeror (section 5). **Resolve of both parties to engage in a contract is the central element in the formation of the contract.** The accepted interpretation based on the previous law, derived from English law, is that the Contracts Law adopted an external-objective test for the existence of the resolve, and that it rejected the internal-subjective test on this question. The law does not examine the internal thoughts of the engaging party. Resolve is measured based on its external reflection. In this way, the law grants protection to the interest of potential reliance of the engaging party. The latter can justify the intention of the other engaging

party on the basis of external representations that arise from the conduct of a party; it cannot examine his inner workings... **The objective criterion is not that of an external person, a stranger to the engaging party, but of the engaging parties themselves, whose actions, words, behavior, should be reviewed with the perspective of reasonableness, and to ask whether a reasonable engaging party in their position would conclude from what had occurred between them that they did indeed intend to form a contract.** The objective test for the question of resolve therefore takes on a subjective nature."

90. Similarly, Prof. G. Shalev clarifies in her book **Contracts Law - General Part, Toward Codification of Civil Law** (5765-2005) pages 172-173, as follows:

> "**A fundamental condition for the creation of the contract is the resolve of the parties to contract with each other in that particular contract.** The condition of resolve expresses the requirement for a meeting of the wishes of the parties and their mutual consent to engage in a contract. Each of the declarations of will that creates a contract must testify to the resolve of the declaring party. The requirement for resolve of the offeror, appearing in Section 2 of the Contracts Law... corresponds and overlaps with the requirement of resolve of the offeree, appearing in Section 5...of this Law. The resolve referred to in the Law is the resolve of the parties. Where the parties have not reached resolve, the court cannot create it retroactively... The test of resolve is therefore an objective test. The practical significance of the objective test is that the resolve of the parties to the contract is indicated based on external criteria. The circumstances of the matter, the conduct of the parties, statements made before and after the formation of the contract, and the contents of the contract themselves, are data based on which the court will determine the presence or absence of resolve."

91. Therefore, under Israeli law, the consent of the parties to engage in the agreement is a basic condition for its formation. The test of resolve of the parties is an objective test, indicated based on external criteria regarding the conduct and statements of the parties engaging in the contract.

92. The application of these principles from Israeli law in our case leads to the conclusion that the prospectus does not bind Defendant 6 and does not create a contract between it and the Company:

92.1 The alleged undertakings where made, as claimed, by Defendant 1, in his name and on behalf of his "family members". Defendant 6 is not mentioned personally in these alleged undertaking (see the cited prospectus in section 17 to the claim), so that even according to the Plaintiff – there is no evidence that the alleged undertakings where made by Defendant 1 on behalf of Defendant 6.

92.2 The Plaintiff himself doesn't claim that Defendant 6 is a party to the prospectus, a signatory or has personally made any undertakings in connection with the prospectus. Therefore, the principle applies that: "**In the absence of a signature, the husband's knowledge is generally not attributed to his wife".** The Talmudic rule **"His wife as his**

body" is none applicable in the current legal reality. (Civil Appeal 3757/06 Perez v Bank Leumi (published in Nevo 03/25/2008)).

92.3 The Plaintiff claims in Section 8 of the statement of claim that: "Mr. Alan Saskin is the controlling shareholder of the Company and its subsidiaries, chairman of the board of directors of the Company, and the lifeblood behind the Company's operations, including its improper conduct set forth below, including breaches of prospectus undertakings vis-a-vis the Company, which were provided both in his name, as well as on behalf of his wife, Ms. Doreen Saskin, and the family companies." Therefore, according to the Plaintiff, it was clear throughout that the contractual undertakings (in the prospectus) were provided by Defendant 1 - as the controlling shareholder of Urbancorp, the chairman of its board of directors, and the lifeblood behind its operations - and not by his family members in general, and Defendant 6 in particular (who is not mentioned in the prospectus).

92.4 The Plaintiff does not claim in the Statement of Claim or the Motion for Leave to Effect Service, that Defendant 6 made any representation to Urbancorp - whether by conduct or statements made before or after publication of the prospectus - that she saw herself as party to the Prospectus or as subject to undertakings that Defendant 1 claims were imposed on her, in her name, within it;

92.5 Regarding the Plaintiff's claim that Defendant 6 "was aware of shown have been aware" or the undertakings of Defendant 1 in her name - this claim was made groundlessly, without the minimal factual basis or any legal reference regarding the this claim's ability to meet the burden required regarding granting leave to effect service outside of the jurisdiction. It is clear that such a baseless claim cannot establish a cause of action or grounds to effect service outside of the jurisdiction.

92.6 In any event, even if there was any indication of defendant 6 in the prospectus (and this is not the case, as stated above), this does not constitute prima facie evidence: **(a) that Defendant** 6 had any knowledge or gave her consent to the above; (**b**) the existence of a valid and binding contract between her and Urbancorp and/or the other Canadian corporations mentioned in the prospectus, in connection with the transfer of any rights to Urbancorp as alleged by the Plaintiff. In this context, it should be noted, that a prospectus, by nature, is an agreement between the issuer (in this case, Urbancorp) and between the trustee for the bond holders and does not constitute a binding agreement between the issuer and third parties (such as Defendant 6). **The Plaintiff does not refer to a specific, valid and binding agreement between Urbancorp and the "family members" of Defendant 1in general and Defendant 6 specifically, regarding the alleged undertakings and does not provide prima facie proof of the existence of any such agreement.**

93. Since no such claim was made by the Plaintiff, and he did not present even preliminary evidence of the fact that Defendant 6 agreed to assume the undertakings which, it is claimed, were attributed to her in the Prospectus by Defendant 1, it is clear that it cannot be argued that the Prospectus

constitutes a binding agreement between her and Urbancorp, and that there is no contractual cause of action against Defendant 6.

E(4)(2) <u>According to Israeli law, Defendant 6 cannot become party to an agreement through "piercing the corporate veil"</u>

94. As stated above, the Plaintiff has not proved the relevant Canadian law. In any event, if the Plaintiff believes that Israeli law is the law applicable in our case - he should have at least specified which legal doctrine under Israeli law would consider, according to him, Defendant 6 to be party to the Prospectus, despite the fact that she did not even sign the Prospectus. The Plaintiff also failed to meet this burden.

95. Within his claims, the Plaintiff made the following claims (Section 4 of the Motion for Leave to Effect Service):

> "Doreen and Alan Saskin acted jointly through a group of companies (including the family companies) for which liability was divided consistency, such that Ms. Doreen Saskin is the beneficiary (together with additional relatives or exclusively) from the capital value of the same companies, while Alan Saskin is the only bearer of liability arising from their management. This distinction is intended to protect the assets of the Saskin couple against the insolvency of Mr. Saskin, which seemingly had already been an issue on the date of raising the bonds. **Any distinction between Mr. Saskin and Mrs. Saskin is artificial**, and was made by the couple intentionally in order to prevent all of their creditors, both personal and of the companies that they own, to be repaid from their assets, thus effectively causing to the Company, as a creditor of the Saskin couple and the companies that they own, damages and/or loss."

96. It is noted that this is a baseless and simple claim, with no backing. The Plaintiff did not present any evidence, even preliminary, that the corporate structure of the various Canadian companies which the Plaintiff claims are under the control and management of Defendant 1, in which Defendant 6 had rights, were deliberately intended to evade creditors. Specifically, the Plaintiff did not present any opinion under Canadian law, which as stated is the relevant law, whereby the alleged corporate structure is not legitimate in Canada. And for good reason.

97. On the merits of the matter, according to the Plaintiff, any distinction between the couple "is no more than an artificial distinction," meaning, according to the Plaintiff, the couple should be treated as one legal entity. However, the Plaintiff failed to explain what legal doctrine would attribute such an extreme result to Defendant 1 and 6, whereby the engagements of one would bind the other.

98. It is noted that the Plaintiff, in his reference to the Second Alleged Violation, claims (Section 39 of the action):

> "Since Holdco, the company through which Mr. Saskin requested to provide the shareholder contribution, is directly and indirectly held by family companies and Mr. and Mrs. Saskin, these entities should be jointly and severally charged."

99. It is possible that by this, the Plaintiff is hinting that he believes that "**piercing the veil**" is necessary between Defendant 1 and Holdco, and that further "piercing the veil" is necessary between Holdco and Defendant 6, and therefore Defendant 6 must be subject to the undertakings that he claims were made by Defendant 1 within the Prospectus. It is emphasized that this claim is far beyond what is required, since, as stated, the Plaintiff did not make these claims in the action or Motion for Leave to Effect Service.

100. In any event, such a claim, if intended by the Plaintiff, is not possible, as one cannot simply disregard, without factual or legal basis, the principle of separate legal personalities.

101. Applicable in this regard are the remarks of the Supreme Court in Leave for Civil Appeal 6403/14 **Mazor Service to Repair and Recondition Home Applicants Ltd. v. Whirlpool Europe SRL Italy** (published in Nevo, January 7, 2015) (the "**Mazor Service Case**"), as follows:

> *"As to Article 500(4) and (5) , I do not believe that the applicants have demonstrated the required level of existence of a contract against them. The applicants' claims, which rely on the distribution agreement formed between Kardan and Whirlpool as an implicit agreement made with them, essentially require* ***disregarding the principle of separate legal personalities.*** *As mentioned, the applicants did not directly engage with Whirlpool or with Kardan, but rather with Service Plus only. The claim that the applicants constitute party to the original distribution agreement is therefore far-reaching."*

102. Moreover, **Section 6(a)(1) of the Contracts Law, 1999**, in the current version (after Amendment No. 3 from 2005) sets forth two potential grounds for piercing the veil between a company and its shareholders, as follows:

> "A court may attribute a debt of a company to its shareholder, if it finds that under the circumstances, it is just and correct to do so, in the exceptional cases in which use of separately legal personalities has occurred in one of the following ways: (a) in such a manner as to deceive a person or discriminate against a creditor of the company; (b) in a manner that harms the purpose of the company, and while taking an unreasonable risk as to its ability to repay its debts, provided that the shareholder was aware of the use as stated, and considering the holdings and fulfillment of its obligations vis-a-vis the company under Sections 192 and 193, and considering the company's ability to repay its debts."

103. In this context, Prof. **Y. Gross** states, in his book **New Companies Law** (Fourth Edition, November 2007), page 70, that:

> "The court is authorized to 'pierce the veil' if under the circumstance, it finds it just and correct to do so. However, the court, after Amendment No. 3, is authorized to use this discretion only in exceptional cases in which use is made of separate legal personalities in a manner that may deceive or harm the purpose of the company ... In

practice, contrary to the wording of the section before the amendment, **the possibility to pierce the veil was limited to a closed list of cases, provided that it is just and correct to do so."**

104. In our case, the doctrine of "piercing the veil" will not assist the Plaintiff under the circumstances, due to the following reasons:

104.1 **First**: Prof. **A Haviv Segel** in her book (**Companies Law** (April 2007) page 322-323), emphasizes that the "piercing the veil" arrangement in its current form is contingent on the existence of a mental element of knowledge, as follows:

> *"Amendment No. 3 clarifies that the arrangement of piercing the veil is a quasi-punitive arrangement, intended to publish entrepreneurs who misuse the principle of the separate legal personality. Accordingly, the new section conditions lifting the veil on the existence of the mental element:* ***lifting the veil will take place only against a shareholder who was 'aware' of use made of the legal personality. In other words, a passive shareholder, who was not aware of the occurrences, would not be personally liable for the debts of the company.*** *Moreover, the arrangement burdens potential plaintiffs seeking to resort to piercing the veil, as from this point onward, they would be required to also prove the existence of the mental element... The basic mental element also foreshadows the shift in the Israeli system from a concept of liability based on 'shareholding' to one of liability based on 'control,' and 'participation in decision-making in the company.'* ***It is likely that it would be more difficult for an applicant to pierce the corporate veil in order to prove that a passive shareholder, who was not involved in the company's activity, was aware of the prohibited form of activity.*** *On the contrary, the requirement of knowledge directs the court to reduce personal liability for active shareholders who were involved in the company's activities."*

In our case, the Plaintiff claims that Defendant 1 is the "controlling shareholder of the Company and its subsidiaries, chairman of the board of directors of the Company, and the lifeblood behind the Company's operations, including its improper conduct... Including violations of the Company's obligations vis-a-vis the Company, both on behalf of his wife, Mrs. Doreen Saskin and the family companies" (Section 8 of the statement of claim). Under these circumstances, in which the Plaintiff himself claims that Defendant 6 was **passive and not involved** in the companies generally and with regard to the Prospectus specifically - the Plaintiff cannot "pierce the veil" between these companies and Defendant 6.

104.2 **Second**: The Plaintiff, if he would like to "pierce the veil" - is required to claim and prove that the case is included in the closed list of cases set forth in Section 6(a)(1) of the Companies Law, and that it is "just and correct to do so," all regarding the two "piercings of the veil": the first between Defendant 1 and the Companies, and the second between the companies and Defendant 6. The Plaintiff did not claim, and certainly did not prove, even ostensibly, that any of these conditions for "piercing the veil" was met.

105. **In summary of this chapter**: even according to Israeli law, which is not the law relevant to the matter - Defendant 6 cannot become party to the Prospectus (the contract) through "piercing the veil," and in any event, the Plaintiff did not present even minimal detail that supports a different legal interpretation of Israeli law in this matter.

E(4)(3) Under Israeli law, Defendant 6 cannot become party to the agreement through the agency doctrine

106. Again, far beyond what is necessary and for the sake of legal caution alone, although the claims were not made by the Plaintiff in the action or Motion for Leave to Effect Service, we shall show below that agency laws also do not establish a cause of action for the Plaintiff against Defendant 6.

107. Section 1(a) of the Agency Law, 5725-1965 (the "**Agency Law**") provides the following:

> "Agency is the grant of power to an agent to do, in the name or in place of a principal, a legal act in respect of a third party."

108. Section 3(a) of the Agency Law provides the following:

> "Agency is conferred by written or oral authorization of the agent by the principal, or by notice to the third party by the principal, or by the conduct of the principal toward one of them."

109. Prof. **A Barak** in his book (**Agency Law** (First Volume, 5756-1996) page 371) emphasizes that:

> "In a number of provisions, the Agency Law insists that the initial creation of the agency will arise specifically form the will of the principal."

110. In our case, the Plaintiff did not claim that Defendant 6 expressed desire for Defendant 1 to undertake on her behalf in the Prospectus; on the contrary - according to the Plaintiff, Defendant 1 and Defendant 6 performed an **intentional division of property** intended to protect their assets from the insolvency of Defendant 1. It is clear that the Plaintiff does not have the option of claiming, on the one hand, that Defendant 6 attempted to intentionally disengage from the undertakings of Defendant 1, and on the other hand, claim that Defendant 6 expressed her desire that Defendant 1 undertake in her name within the Prospectus - as these two claims conflict, contrary to Article 72(b) of the Regulations whereby "pleadings cannot include claims against the same litigant that are alternative factual claims" (see also: Leave for Civil Appeal 4224/04 **Beit Sasson Ltd. v. Shikun and Investments Ltd.** (published in Nevo, March 8, 2005)).

111. According to the caselaw, which was determined in Civil Appeal 868/90 Bank of Israel v. Rajwan-Simhoni, Unregistered Partnership, P.D. 43 (3) 416:

> *"Feelings, speculation and suspicions are not sufficient in order to provide a factual version of authorization, when this does not arise from the facts that have been proved."*

The same applies to our case: feelings, hypotheses, and suspicions are not enough to establish a far-reaching claim that Defendant 6 gave Defendant 1 her *authorization* to make such undertakings on her behalf, as part of the prospectus – a claim that has not been made clearly, and has not been provided with any evidence.

112. It should be emphasized, that the fact that Defendant 1 and Defendant 6 are a married couple in itself is not a cause for "presumption of agency" between the two, for the rule is that the marital status does not, in itself, create an agency relationship toward third parties, while taking into account the fact that undertakings as part of an issuing prospectus – are not the type of matters "that are inherent and bound inextricably in marriage," as ruled in Civil Appeal 409/79 **Tirir** v. **Rajwan**, PD 45 (1) 458, as follows:

> *"Under section 3 (a) of the law, the Law of Agency is vested in three ways: consent from the sender to send, a notice from the sender to the third party, or "by the conduct of the sender toward one of them." In other words, the agency is the result of the sender's will, as materializing in one of the said forms, and, as far as it is regulated by law, is not the result of any status, or is created by law ... Certainly marriage and cohabitation can be, in certain circumstances, evidence that a spouse acting as an agent does indeed act on behalf of the other spouse, but this is in matters that by their very nature are bound and together by marriage and life together."*

See also 24185-02-10 **Refael v Vered** (Published in Nevo, September 8, 2013), which states as follows:

> *"Even though we have stated above that Ben Dor is the one who probably signed the trust agreement, this fact does not necessarily indicate the existence of the defendant's authorization for Ben Dor to sign the agreement on her behalf, since the rule is that the marriage contract in itself, Does not create a relationship of agency between the spouses toward third parties [see CA 409/79 Tirir v. Rajwan, PD 35 (1) 458]."*

113. It should be noted, that even if it was proved that Defendant 6 signed or approved an agreement regarding the transfer of the claimed rights to Urbancorp, and even if it was proved that Defendant 6 knew and agreed to make a representation regarding the said undertaking in the prospectus –and it is emphasized that this has not been proven by any evidence – **It is doubtful whether such a commitment is valid, as long as it has not been claimed or proven that prior to the granting of such agreements (which were not proved), Defendant 6 received independent counseling, *inter alia*, clarifying the significance of the risk involved in her consent** (200311/98 **Goldshtain**

v **Bank Hapoalim** Published in Nevo, 24.2.2004), (1086/01 **Cohen** v. **United Mizrahi Bank** Ltd. published in Nevo, June 21, 2004).

114. In this regard, see the remarks of Prof. **Nili Cohen** in the article "When is a Woman Free of a Mortgage," **the lawyer** (December 2008), 70, as follows:

> *"It is clear from reading between the lines that when a financial institution requires the signature of a woman in order to obtain security for her husband's business (without her being actively involved in such undertakings), the woman's obligation should be conditioned on the financial institution making sure that before signing it she has received independent counseling regarding the risks that entails signing it."*

(See also Roy Bar-Kahan, **Aravot** (2006), pp. 292-283).

115. The same is true in our case, and has been brought as stated above, much more than is necessary.

116. **In summary of this chapter**: even according to Israeli law, Defendant 6 cannot become party to the Prospectus (the contract) through the agency doctrine and in any event, the Plaintiff did not present even minimal detail that supports a different legal interpretation of Israeli law in this matter.

E(4)(5) <u>Under Israeli law, Defendant 6 cannot become party to the agreement through the doctrine of a contract for the benefit of third party</u>

117. Again, far beyond what is necessary and for the sake of legal caution alone, although the claims were not made by the Plaintiff in the action or Motion for Leave to Effect Service, we shall show below that the doctrine of a contract for the benefit of a third party also does not establish a cause of action for the Plaintiff against Defendant 6.

118. The Plaintiff claimed in the Motion for Leave to Effect Service that Defendant 6 was one of the holders of rights that actually received shares of Urbancorp, in consideration of an undertaking allegedly made by Defendant 1 in the name of his "family members" (Section 13 of the Motion):

> "Against the transfer of the rights and assets to the Company, the holders of the rights were entitled to, and actually received, shares of the Company through Holdco (Defendant 5), which they own."

119. It is therefore possible, and as stated, this claim was not made, certainly not explicitly, that the Plaintiff intended to claim that the prospectus binds Defendant 6 "as a contract for the benefit of a third party," under Section 34 of the Contracts Law (General Part), 5733-1973, which provides that:

> "An obligation assumed by a person in a contract in favor of a person who is not a party to the contract (beneficiary) confers to the beneficiary the right to demand

fulfillment of the obligation, if the intention to confer that right on him is apparent from the contract."

120. However, this claim is also impossible, as a contract in favor of a third party, by its very nature, must "benefit the third party" and **not be to the third party's detriment**, as stated in Civil Action 7487/00 **Mansour v. Hogirat**, P.D. 57(3) 541, as follows:

> "*... It is well known that a contract may be for the benefit of a third party,* ***but not to the detriment of a third party****. Two engaging parties cannot derogate from the rights of a third party that is not party to the contract, through a purely contractual provision."*

121. See also Friedman and Cohen, p. 136.

122. Therefore, the attempts of the Plaintiff to impose on Defendant 6 (the third party), who is not party to the proceeding, debts under the Prospectus to her detriment - are not possible under Israeli law (a law which, as stated, is not relevant in this case).

123. **In summary of this chapter**: according to Israeli law, Defendant 6 cannot become party to the Prospectus (the contract) through the doctrine of a contract for the benefit of a third party, and in any event, the Plaintiff did not present even minimal detail that supports a different legal interpretation of Israeli law in this matter.

124. Since it has not been claimed or proved that Defendant 6 is party to the undertakings set forth in the Prospectus, no contractual grounds against her exists, and the Plaintiff is unable to prove the existence of a "serious question to be debated" against her.

E(5) The absence of a tort cause of action - the Plaintiff has not presented a basis that establishes a tortious cause of action against Defendant 6

125. Beyond the mere sentence (in Section 65 of the Statement of Claim) regarding the tort liability applicable to the Defendants, the Plaintiff did not prove any detail, including detail of what tort offense was allegedly performed by Defendant 6, and which alleged facts establish a tortious cause of action as stated against her.

126. This is sufficient to show that the Plaintiff himself did not believe that he has a strong tortious cause of action against Defendant 6 (and this is also the reason that the Plaintiff, in violation of the law's requirements, did not support the Motion for Leave to Effect Service Outside of the Jurisdiction with an affidavit).

127. In the absence of the minimal details as required - the Plaintiff is unable to prove the existence of a tortious cause of action against Defendant 6, and is unable to prove the existence of a "serious question to be debated" against Defendant 6.

E(6) Interim summary

128. In summary of this chapter (e): In the absence of a shred of evidence of an agreement between Defendant 6 and Urbancorp; in the absence of a shred of evidence supporting the claim that Defendant 6 was aware or should have been aware of the undertakings which were allegedly made by Defendant 1 in the name of his "family members"; in the absence of explanation and detail regarding the legal implications of this knowledge, even if it had been proved (which is not the case), certainly under the relevant law, i.e. Canadian law; in the absence of minimal detail of the Plaintiff regarding the tort offense claimed by him (the Plaintiff did not even both to state which offense this was); in the absence of an opinion to prove Canadian law, which is the law relevant to our matter; and in the absence of evidence of the existence of a direct, personal, clear, and proven undertaking by Defendant 6, which was breached by her - **it must be determined that there is not cause of action against Defendant 6, and as a result of the same - that there is no "serious question to be debated" in this claim.**

129. For this reason as well, the leave to effect service must be vacated and the action against Defendant 6 must be dismissed, with all that entails.

F. Absence of grounds for service under Article 500

F(1) Normative background

130. The Plaintiff claims that there are three grounds for service set forth in subsections (4), (5) and (10) of Article 500 of the Regulations, which states as follows:

> "The court or a judicial registrar will permit service outside of the jurisdiction of the State in one of the following:
>
> ...
>
> (4) The action is to enforce a contract, terminate, suspend, or disqualify it or perform any other action, or to receive damages or another remedy for its breach, in one of the following cases: (a) the contract was made in the borders of the state; (b) the contract was made by a person authorized or residing in the area of the state, or through it, on behalf of a principal involved in or residing outside of the borders of the state; (c) the contract is subject to the laws of the State of Israel, in writing or implied;
>
> (5) Parties claiming breach of contract in the area of the State - and it is immaterial where the contract was made - even before the same breach of accompanying it, a breach outside of the borders of the state that negated the possibility of upholding the same part of the contract that needs to be upheld in the border of the state;
>
> ...

> (10) The person outside of the borders of the State is the necessary or correct litigant in an action duly filed against another person to whom summons were lawfully served within the State."

131. As to the burden of proof imposed on a party filing a motion for leave to effect service, the following was held in the **Ashburn Case:**

> *"The applicant must prove the grounds for service with the level of proof of an 'action worthy of argument'... In the case of doubt, this will act for the benefit of the defendant, and the court will not permit the service."*

132. Below we shall see that in this case, none of these grounds for service are satisfied, let alone at the level of proof of a "action worthy of argument."

F(2) <u>Absence of grounds for service under Article 500(4) and 500(5) of the Regulations</u>

133. What is common to both grounds of service in subsections (4) and (5) in Article 500 is that the **claim is based on contractual grounds.** Meaning - the claim is based on the existence of an alleged contract between the plaintiff - the party seeking the service, and the defendant - the party that would be served, and the claim relates to this alleged contract - its enforcement, termination, compensation for its breach, etc.

134. As stated above, the Plaintiff is required to prove that the Prospectus constitutes a binding agreement between Urbancorp and Defendant 6. As stated above, the Plaintiff did not present a sufficient claim and evidentiary basis to prove this matter, certainly not under Canadian law, which is the law relevant to this matter, as the matter relates to an alleged engagement between Canadian individuals and corporations in Canada. Since the Plaintiff did not do so, and since the position of Canadian law was not proved in connection with the other relevant legal matters, including the matter of piercing the veil, the matter of the "artificial distinction" claimed between Defendant 1 and Defendant 6, the agency matter, the matter of a "contract for the detriment of a third party," etc., he has been unable to prove the existence of a contract between Defendant 6 and Urbancorp, and therefore, has been unable to prove the existence of the grounds for service under Article 500(4) and 500(5) of the Regulations - based on the existence of a contract.

135. Furthermore, as stated above, even under Israeli law, the prospectus cannot be considered to be a binding agreement between the Company and Defendant 6, briefly - for the following reasons:

135.1 Under contract law, an agreement cannot be created without the consent of the parties, and in such a case, it was not alleged and no evidence was presented that Defendant 6 consented to the undertakings set forth in the Prospectus; Which were given in relation to the "family members" of Defendant 1 - and not individually with respect to Defendant 6;

135.2 It has not been claimed, and no minimal detail has been provided that supports a legal interpretation that it is possible to make Defendant 6 party to the agreement through "piercing the veil" between Defendant 1 and the defendant companies, and between these

companies and Defendant 6 and in any event, piercing the veil as stated is not possible under the circumstances;

135.3 It has not been claimed, and no minimal detail has been brought that supports such legal interpretation whereby it is possible to make Defendant 6 into a party to the agreement through the definition of Defendant 1 as her principal; this claim is also not possible, since it contradicts the Plaintiff's other claim in the Statement of Claim whereby Defendant 6 and Defendant 1 made an intentional division of property between them;

135.4 It was not argued, nor was any minimal amount of detail presented, which supports the fact that the alleged undertakings of Defendant 1 impose on Defendant 6 BY the fact that she is his wife. As mentioned above, the opposite is true.

135.5 It has not been claimed, and no minimal detail has been required that supports such a legal interpretation, that Defendant 6 can become party to the contract through the doctrine of a contract for the benefit of a third party, and this claim is not possible, since the prospectus is actually a contract to the detriment of Defendant 6, and not for her benefit.

136. Since it has not been claimed or proved that Defendant 6 is a party to the undertakings set forth in the Prospectus - the grounds for service set forth in Article 500(4) and 500(5) of the Articles are not established against her, as it is **an essential condition** for the creation of these grounds, i.e. the existence of an agreement between the applicant for service of the pleadings outside of the jurisdiction and the respondent in this motion (the **Ashburn Case**, paras. 12 and 21; the **Mazor Service** case, para. 17).

137. Furthermore, even if it was determined that there was a contractual engagement between Defendant 6 and Urbancorp (which is not the case), this would not satisfy the conditions for service outside of the jurisdiction under the specific requirements in Articles 500(4) and 500(5) of the Regulations:

138. Article 500(4) of the Regulations provides that service thereunder will be granted "in one of the following cases: (a) the contract was made in the borders of the state; (b) the contract was made by a person authorized or residing in the area of the state, or through it, on behalf of a principal involved in or residing outside of the borders of the state; (c) the contract is subject to the laws of the State of Israel, in writing or implied";

139. As stated above, none of these conditions are met regarding Defendant 6, even if it is held that there was a contractual engagement between her and Urbancorp to perform the actions alleged in the action and Prospectus, since: (a) regarding the first alternative - it was not claimed that Defendant 6's alleged undertaking was made in the borders of the State of Israel, and this is particularly the case since our matter pertains to Canadian entities (both the companies and Defendant 6) and logic dictates that such alleged undertaking would have been made (to the extent it would have been made, which has not been proved) specifically in Canada and not Israel; (b) regarding the second alternative - it was not claimed and certainly was not proved that Defendant 1 was authorized on behalf of Defendant 6 to execute the alleged undertaking, and in any event, even based on Defendant 1's claim, does not reside in Israel or conduct business within the borders of

the State of Israel; (c) regarding the third alternative - as explained above, it is clear that the law applicable to the relationship between them is in fact Canadian law.

140. Therefore, even from an individual examination, and even had the Plaintiff been able to present a shred of evidence regarding the existence of a contract between Urbancorp and Defendant 6, the service conditions for service according to Article 500(4) do not apply in relation to such alleged contract.

141. Article 500(5) of the Regulations provides that service thereunder will take place "for breach of contract in the borders of the State."

142. This alternative is also not met in our case, as it was not claimed, and certainly was not proved, that the alleged breach of contract occurred in the borders of the State of Israel. As stated above, based on the claim, Urbancorp is a Canadian company, and Defendant 6 is also a citizen and resident of Canada, who has not tie to Israel. Therefore, even if there was a contract between the parties, as claimed, the alleged breach occurred in Canada, and in any event, there is no grounds for service under this Article.

F(3) <u>Absence of grounds for service under Article 500(1) of the Regulations</u>

143. As stated, Regulation 500 (10) states that the Statement of Claim can be served outside the boundaries of the State when "the person outside the territory of the State is a required party or a proper party in an action properly filed against another person to whom an order was duly filed within the State".

144. The following was held in Leave for Civil Appeal 3872/04 **Willensky v. Metallurgique de Gerzat S.A.**, P.D. 59(1) 24:

> *"As stated, Article 500(1) of Civil Procedure Regulations presents a number of conditions that must be satisfied in order for the court to permit, based on this section, service of pleadings outside of the jurisdiction: the person located outside of the borders of the State must be a required or correct litigant, in the action duly filed against another person who was lawfully served in the borders of the State. If so, who is a foreign litigant that would be considered required or correct in the action?* ***This is a litigant who would be considered to be the correct party in an action with the party located in Israel, in the case in which both were located in Israel.*** *In order to determine who the litigant is, caselaw has created two sub-questions that are based on the assumption that the foreign party was located in Israel: would the court be authorized to investigate the cause of action against the foreign party, and would the claim against the foreign party be appropriate to be tried with the claim against the party located in Israel? If both of these questions are answered, it is appropriate to determine that the foreign party would be the correct or required litigant in the case. In this context, it must be further noted that* ***the court must examine whether the applicant for leave to effect service has a "suit worthy of argument" against the***

> ***party for whom the leave is requested...*** *If the action passes these hurdles, the case must be examined on the totality of its circumstances. At this stage, the court makes* ***various considerations, including the existence of substantive justification to require the foreign defendant to appear in Israel, weighing the prima facie claim against the Defendant, and the degree of necessity in joining the actions."***

145. **T. Kunfino-Sher in** her book (**Jurisdiction over a Foreign Defendant** (5760-2000), pages 120-122), emphasizes the following:

> "The uniqueness of these grounds, compared to the other grounds of service, is that it is not based on a territorial connection between the subject of the claim or the litigant located outside of the jurisdiction and between the country of the forum, but rather the relationship between the litigant located outside of the jurisdiction and another defendant ... **Israeli caselaw recognizes a trend of being strict with the applicant seeking to rely on this sub-article.** The courts in Israel have stopped taking a liberal approach and adopted a rigid approach, based on a literal interpretation of the sub-article... **Leave to effect service under this sub-article will not be provided when it is clear that the law of the action against the first defendant or the defendant outside of the jurisdiction of the State will fail."**

146. As to the rigidity required when making use of Article 500(10), the Supreme Court has stated the following in Civil Action 98/67 **Livhar v. Gazir and Shaham Construction Company Ltd**, P.D. 21(2) 243:

> "*Additional caution is necessary in a motion based on Article 467(8)* [Article 500(1) today - the undersigned], *where the grounds against the foreign resident follow the grounds against another defendant, without the grounds having a direct territorial connection to the State."*

See also Civil Action 481/84 **Atlantic Fishing and Shipping Company Ltd. v. Astilleros y. Talleres del Noroeste S.A**, P.D. 32(3) 102.

147. One of the conditions for the existence of a ground for service under Regulation 500 (10) is that we are dealing with "an action properly filed against another person." **This condition does not exist in our case**: the "other person" against whom the claim was filed is the defendant 1 - Mr. Saskin. The Plaintiff noted in Section 8 of the statement of claim that Mr. Saskin began bankruptcy proceedings in Canada, and that "for the understanding of the officer of the court, under the Canadian insolvency law, the BIA procedure imposes a stay on proceedings against Mr. Saskin, whereas the courts consent is needed in order to proceed with the proceedings against Mr. Saskin". At this stage, the Plaintiff has not yet reported, as part of this proceeding, the said approval granted by the Court of insolvency in Canada to proceed with the claim against the defendant. In these circumstances, the Plaintiff was unable to prove that the claim against defendant 1 was "an action

properly filed" Since it is certainly possible - to the extent that such approval is not granted - that this claim against the Defendant 1 will have to be erased.

148. Moreover, another condition for the existence of a ground for service under Regulation 500 (10) is the existence of grounds of service under Article 500(10) is that the applicant for service "**has an actionable claim**" against the party for whom leave to effect service is sought, **and not a claim that would certainly fail.** According to caselaw, the fulfillment of this condition must be examined in a **rigid and strict manner**, as the trend in caselaw is to be stricter with a party seeking to rely on this article. This is particularly true when the party seeking leave to effect service failed to comply with the specific service alternatives claimed thereby, and when he did not present any evidence linking the Defendant to the State of Israel. It has not been proved in our case that the Plaintiff has an actionable cause of action against Defendant 6. On the contrary: it appears that **this claim would fail**, considering the inherent difficulty in imposing liability on Defendant 6, as have been explained at length above, and will not change. By virtue of the prospectus that defendant 6 is not a party to and is not a signatory to, with no evidence of the existence of the defendant's consent with respect to the undertakings claimed in the prospectus, and without it being proven that defendant 1 had the power to make any undertaking on behalf of the defendant 6. All as explained in detail above.

149. Beyond this, the Motion for Leave to Effect Service does not contain any well-founded explanation as to why Defendant 6 is the necessary or correct litigant in managing the action against the other defendants, specifically in light of all of the defects in the action against her. We once again emphasize that, as alleged by the Plaintiff himself, this is a lawsuit that was commenced, *inter alia*, against Defendant 6, despite the fact that there is no dispute that she is not mentioned at all in the perspective's, did not sign it, that there is not even a shred of evidence that she consented to the undertakings that Defendant 1 allegedly gave therein, which the Plaintiff now seeks to attribute to her. Now, not only is such a weak lawsuit filed against Defendant 6, but rather the Plaintiff seeks to force her to litigate in Israel despite the fact that she is a resident of Canada and despite the fact that there is no claim made that she has any tie to the State of Israel. Under such circumstances, **considerations of justice** also require the conclusion that it is clearly the case that Defendant 6 is not a necessary and proper litigant in this lawsuit.

150. Under these circumstances, it must be held that these grounds of service are also not met.

G. <u>The Israeli court is not the "proper forum" to hear the action</u>

151. Another condition for granting leave to effect service outside of the jurisdiction is that the State of Israel is the "proper forum" to hear the action.

152. In Leave for Civil Appeal 7342-11 **Clal Insurance Company Ltd. v. Incomacs Ltd.** (published in Nevo, August 2, 2012), it was held that the question of the proper forum will be decided in accordance with **three main tests**, as follows:

> "Three tests are used to examine the question of the application of the forum non-conveniens doctrine. ***The first examination*** *is whether the local forum is the "natural forum" or whether there is a foreign natural forum with authority to hear the action.* *This test is decided considering all of the circumstances of the case. Meaning, the question must be examined of which forum has the most significant and substantive connection to the dispute between the parties, leading to the most relevant ties...* ***Second****, it is necessary to examine the reasonable expectations of the parties with respect to the place of litigation of the dispute;* ***third****, public considerations must be taken into account, primarily what forum has a real interest in adjudicating the action ... It appears that the difference between the first and third tests is that while the first test examines objective data in the relationship between the event in dispute and the judicial forum necessary, the third test is a normative statement regarding the need to litigate a certain matter within the borders of the State."*

See: Leave for Civil Appeal 1785-15 **Alison Transport Inc. v. Cosco Container Lines Co Ltd.** (published in Nevo, July 15, 2015).

153. Regarding the "strongest ties test," the Court must take into account **various considerations**, including, as determined in Leave for Civil Appeal 9810/05 **Martin J. Hecke v. Pimcapco Limited** (published in Nevo, August 30, 2009):

> "In order to examine this question, the Court must take various considerations into account. These considerations can include the place of residence and business of the parties, access to a source of evidence, the ability to summon witnesses to the court, the expenses involved in bringing them and more."

154. In our case, regarding Defendant 6, the forum with the most significant and substantive ties to the case is the Canadian court, as the majority of the ties lead to the Canadian court, including:

154.1 Urbancorp, on whose behalf the Plaintiff filed the claim, is a Canadian company;

154.2 All of the Defendants, including Defendant 6, are Canadian;

154.3 The contractual liabilities claimed by the Plaintiff relate to Canadian companies: assignment of rights to receipts from the loans was supposed to be performed (according to the Plaintiff) between one Canadian company and another Canadian company; and the shareholder contribution was supposed to be provided (according to the Plaintiff) by a Canadian citizen to a Canadian company, through a Canadian company;

154.4 It is reasonable to assume that most of the witnesses who are likely to be relevant and who will be required to testify in order to litigate this action (such as the Company's legal advisors, the Company's auditors and the Company's management) are Canadian., It is also reasonable to assume that most of the evidence that may be relevant to this litigation is located in Canada (see Civil Action 1729/05 **Can West Global Communications v. Azur** (published in Nevo, September 28, 2005, para. 37));

154.5 The parallel proceedings are being conducted in Canada (initiated by the Plaintiff) dealing with the two alleged violations against the Defendant 6, and this also indicates that the proper forum for litigating his claims is in Canada.

154.6 The law relevant to the question of the existence of a contract between Urbancorp and Defendant 6 is Canadian law.

155. In the matter of the "reasonable expectation" of the parties - the Plaintiff refers to Civil Action 6696-10-08 **Elmor Electricity Installations and Services (1986) Ltd. v. Siemens Israel Ltd.** (published in Nevo, January 15, 2009), where the following was held:

> *"One who runs a business in Israel, against whom a claim is filed regarding the business in Israel, must expect, as any Israeli, that he will be required to conduct litigation on the matter of the business in local courts, and in this regard, there is a direct tie between his affairs and Israeli jurisdiction. This rule is indisputable."*

156. However, **this matter cannot be perceived as evidence**, as the Plaintiff himself does not claim that **Defendant 6 conducted business in Israel.** Therefore, Urbancorp or any other person does not and cannot have a reasonable expectation of litigation with Defendant 6 regarding any matter in Israel.

157. Regarding the "public policy considerations," they also lead to the conclusion that the proper forum is Canada, *inter alia*, considering the fact that the claim pertains to Canadian residents and companies. These companies are allegedly involved in insolvency proceedings under Canadian law and were, in part, allegedly under the control of Defendant 1, who is allegedly currently involved in bankruptcy proceedings in Canada as well. Therefore, there is preference for all of the proceedings related to the defendants being litigated in one country - Canada. In any event, this is certainly the case regarding Defendant 6.

158. It therefore arises that the three relevant tests - the majority of ties, the reasonable expectation, and public considerations - lead to the conclusion that the "proper forum" for litigation of this action is the Canadian court and not the Israeli court.

H. Interim Summary

159. What emerges from all of the above is that there are no grounds or justifications, under the rules set forth in the law or caselaw of the courts, to grant leave to effect service outside of the jurisdiction against Defendant 6.

160. Therefore, the Court must grant the Motion herein, vacate the Motion for Leave to Effect Service, rescind the leave to effect service that was granted, determine that the action's delivery to Defendant 6 under the leave to effect service occurred unlawfully and therefore also dismiss the action against Defendant 6.

I. Leave to effect service must also be vacated due to the need to order a "stay of proceedings" in this action due to "pending proceedings" that are substantively similar to this action against Defendant 6

I(1)General

161. As shall be explained below, the leave to effect service must be rescinded because there are proceedings that are already pending against Defendant 6 with regard to the allegations on which this lawsuit is based. These proceedings were commenced (in part) by the Plaintiff himself. The existence of these pending proceedings requires that the proceedings in this case be stayed. Regardless, as a matter of sound judicial policy and common sense, the leave to effect service should be rescinded.

I(2) Normative background

162. It is well-established caselaw that the court has the authority to order a stay of proceedings in respect of a "pending" matter before another court, which raises similar questions.

163. In this regard, the following was held in Leave for Civil Appeal 627/13 **Segel v. Pninat Malkhei Yisrael Ltd.** (published in Nevo, 19.2.2013):

> *"A court that deals with a specific matter has discretionary authority to order a stay of proceedings in the proceeding before it until a decision in another proceeding that is pending before a different court and that raises similar questions. The purpose of the rule "lis alibi pendens" is, first and foremost, to prevent idle proceedings and to save judicial time, as well as to prevent excessive burdens on the other party... To order a stay of proceedings due to the existence of pending proceedings, a court must ensure that both proceedings discuss a matter identical in nature, but it is not necessary that there is absolute overlap regarding all of the matters discussed. The considerations that the court must take into account in this framework include, inter alia: the sameness of the disputed questions, the litigants, efficiency of the proceeding, saving judicial time, and avoiding dual proceedings, and the balance of conveniens. It should be noted that the decision regarding a stay of proceedings following the existence of pending proceedings is, in its nature, a procedural decision of the trial court, which the appellate court will refrain from intervening in, excluding in exceptional cases..."*

164. In Civil Action 9/75 **Alakby v. Israel Lands Administration**, P.D. 29(2) 477, it was held that the main condition for a stay of proceedings due to "*lis alibi pendens*" is the existence of **material overlap** of the causes of action at the basis of both proceedings, as follows:

> *"According to caselaw, similar to 'res judicata,' in 'lis alibi pendens,' the grounds must be the same... However, this is not determined based on the form of the claims, but rather based on their nature. The question of whether a party to a proceeding is*

> ***troubled twice*** *due to the same grounds is not based on technical reasons of the sameness of the form of claims, but rather pertains to their very nature, i.e. their primary nature."*

165. The jurisdiction of the court to stay proceedings due to *lis alibi pendens* is discretionary, and the court must exercise this considering the circumstances of the case, as clarified by the Supreme Court in Leave for Civil Appeal 346/06 **Hazan v. Club In Eilat Holdings Ltd.** (published in Nevo, May 14, 2006), as follows:

> *"The jurisdiction of the court to stay the litigation of an action when there is a pending proceeding that raises similar questions is discretionary. The decision on the matter of staying the proceedings is decided on the basis of considerations of efficiency and conservation of the resources of the court and the litigants."*

166. In Leave for Civil Appeal 3765/01 **Phoenix Israel Insurance Company Ltd. v. Kaplan** (published in Nevo, January 28, 2002), it was clarified that for the application of this rule, it is not necessary that the parties in both actions be the same, in whole or in part, and it is sufficient that "*the matters be similar, the grounds the same, and the interest identical,"* as follows:

> "The power of the court to stay a proceeding when there exists another proceeding that raises similar questions is not in dispute. *This is a discretionary authority, and it has often been exercised by weighing the effectiveness of the hearing, the effectiveness of the judicial system, saving time and expenses, preventing conflicting decisions, swift decisions, the balance of convenience, etc.... This is true not only when the parties are involved in both proceedings, but even when the parties are not the same parties, but the* ***matters are similar, the grounds are identical, and the interest is the same.****"*

167. The power of the rule allowing for a stay of proceedings due to "*lis alibi pendens*" is also applicable when the "pending" proceeding is held in Israel, as well as when the "pending" proceeding is held abroad (Civil Action 1456-02 **Gilat Satellite Networks Ltd. v. Livan** (published in Nevo, October 10, 2002)).

168. **In our case, as set forth below, the Plaintiff himself states in the Statement of Claim that there are "pending proceedings" related to the two causes of action claimed against Defendant 6.**

I(3) <u>The existence of "pending proceedings" in Canada with substantive similarity to the First Alleged Violation in this action</u>

169. As to the First Alleged Violation, which relates to the Plaintiff's claim of a breach of the prospectus undertaking to transfer rights to the Company in the reimbursement of loans with a value of CAD 8 million - the Plaintiff states that in light of his claim whereby Defendant 6 is expected to receive sums in the TCC Bay exercise proceedings, he contacted Defendant 6 and requested her consent "that any distribution that she is expected to receive from TCC Bay due to the invalidity of the promissory notes be paid to the Company in order to give force to the prospectus undertakings

made by her and her husband, and the companies under their control" (Section 23 of the Statement of Claim).

170. According to the Plaintiff, Defendant 6 refused this request and he therefore filed a **lawsuit in Canada** in parallel to filing the action herein, on the very same matter, as follows (Section 24 of the Statement of Claim):

> "Under these circumstances, **the officer decided to act in parallel on two levels:** the first - ... The officer filed a claim with the Canadian insolvency court for a declarative order stating that any receipts that Mrs. Saskin or the company that she owns would receive under the lack of validity of the promissory note be held in trust for the benefit of the Company and paid thereto; and the second - filing the action here."

171. The Plaintiff further states, in connection with the "pending proceeding" in Canada, that (Section 26 of the Statement of Claim):

> "**Of course, if funds are received under the promissory notes within the proceedings in Canada, the aforesaid amounts will be reduced from the amount set forth within this section.**"

172. It is noted that the Plaintiff did not attach to the Statement of Claim the documents related to the "pending proceeding" in Canada. In any event, based on the statements made by the Plaintiff himself (which were quoted above) it arises that the **Plaintiff is aware that if the proceeding in Canada succeeds - this would negate the litigation of the action here for the alleged first violation.** Therefore, the proceeding in Canada and the present case relates to a matter that is essentially the same, and it can be determined that both proceedings pertain to "similar matters, the same grounds, and an identical interest."

173. Therefore, it is clear that there is no purpose to conducting the proceeding here against Defendant 6 for the First Alleged Violation of the Prospectus while proceedings are "pending" in Canada for the same alleged violation.

174. As a matter of common sense and proper judicial policy, staying the proceedings in this matter also requires dismissing and, at the very least, freezing of the leave to effect service outside of the jurisdiction given against Defendant 6, and in any event, the leave to effect service itself.

I(5) <u>The existence of pending proceedings in Israel (Class Action 1746-04-16) as well as pending proceedings in Canada with substantive similarity to the Second Alleged Violation in this action</u>

175. Regarding the Second Alleged Violation, which relates to the Plaintiff's claim of a breach of the prospectus undertaking to provide shareholder contributions in the amount of CAD 12 million - the Plaintiff stated in Section 32 of the Statement of Claim that a motion to certify a class action was filed in this regarding before the Tel Aviv District Court (Class Action 1746-04-16 **Pechthold v. Urbancorp**; the "**Motion to Certify**" and the "**Class Action**").

176. It is noted that the Plaintiff did not attach the Motion to Certify itself or the Class Action, but instead attached the response of Defendant 1 to the Motion to Certify (Exhibit 10 of the Statement of Claim). The Plaintiff notes in this context, in Section 32 of the Statement of Claim:

> "... Mr. Saskin filed a response on his behalf, on March 28, 2017, to the action to certify filing a class action - Class Action 1746-04-16 Pechthold v. Urbancorp et al... In his response to the Motion to Certify, which was supported by the affidavit of Mr. Saskin, Mr. Saskin failed to refer to the statements of the reporting from March 10, 2016, whereby "the total of CAD 12 million was deposited in the Company's account on March 10, 2016." All of his claims in this regard were that it is sufficient that a sum of CAD 12 million "was provided in cash in an account held by a subsidiary fully held by the Company" in order to comply with the prospectus liability."

177. Based on the Plaintiff's description in the response of Defendant 1 to the Motion to Certify, it arises that the Class Action relates to the "shareholder contribution" in the amount of CAD 12 million, and more precisely: the question of whether the shareholder contribution was in fact made for the benefit of Urbancorp. Therefore, if it is determined within the Class Action that Defendant 1 provided the shareholder contribution - **any claim of the Plaintiff against Defendant 6 in this regard will be undermined.**

178. Therefore, the Class Action at the subject of the Motion to Certify, and the present case relates to a matter that is essentially the same, and it can be determined that both proceedings pertain to "similar matters, the same grounds, and an identical interest."

179. In addition to the class action being pursued, the Plaintiff notes (on page 10, footnote 12 to the Statement of Claim) that he is conducting another legal proceeding in Canada in which he filed at claim to the monitor of the Edge Group companies, in the amount of $ 17 million CAD, of which $12 million CAD, according to the Plaintiff, should have been the shareholder contribution that Defendant 1 committed to transfer to Urbancorp, were allegedly unlawfully transferred to the Canadian Income Tax Authority for the purposes of a VAT payment by the Edge Group. According to the Plaintiff's description, 16.5 million CAD of the above debt claim he filed was approved by the Edge Group monitor – but this amount, in whole or in part, was not paid to the Plaintiff as of the date of the filing of his lawsuit.

180. The Plaintiff also notes (in a footnote) that Monitor Edge has initiated proceedings against the Canadian income tax authorities for the refund of VAT payments, and if he succeeds in this proceeding, the Plaintiff will <u>at least be entitled to a part of the settlement</u> based on his role as creditor of the edge group, and that "as long as the holder of the position receives an amount ... the amount received by the company will be deducted from the claim at hand."

181. From the Plaintiff's description of the proceedings in Canada concerning the shareholder contribution, it appears that the **Plaintiff himself admits that in case the proceedings against the Canadian Tax Authority succeeds – it will obviate the ligation of this lawsuit with respect to the Second Alleged Violation as the Canadian proceedings revolve around the same CAD 12 million which the Plaintiff claims were supposed to be a "shareholder contribution" to Urbancorp from Defendant 1 but which the Plaintiff alleges were instead paid to the Canadian Tax Authority**. It follows that the proceedings in Canada and the present case relate to a matter that is essentially the same, and it can be determined that both proceedings pertain to "similar matters, the same grounds, and an identical interest."

182. Thus, it is clear that there is no purpose to conducting the proceeding here against Defendant 6 for the Second Alleged Violation of the Prospectus while proceedings are "pending" for the same alleged violation.

183. **In summary of this chapter**: there are "pending proceedings" (in Israel and Canada), with similar matters, the same grounds, and identical interests to the case here. Therefore, it appears that the Plaintiff acted **in bad faith and unfairly** toward Defendant 6 when "firing in all directions" against her, while taking parallel proceedings in various courts and even different countries for the same causes of action. This justifies the **stay of proceedings** in the claim here against Defendant 6, until the completion of the inquiry and the exhaustion of the "pending" proceedings, as stated above.

184. **As a result of the foregoing, and as a matter of proper judicial policy and common sense, it is also necessary that the leave to effect service that was granted be canceled and at least frozen until decisions are made in parallel proceedings. It is quite clear that the justifications that underlay the decision of the Court to grant the leave to effect service outside of the jurisdiction under the Statement of Claim are irrelevant after the conclusion of the parallel proceedings. Therefore, for this reason too, the leave to effect service outside of the jurisdiction should be canceled.**

J. Conclusion

185. Therefore, the Court is requested to order as set forth in the beginning of this Motion.

186. This Motion is not supported by an affidavit since it is based on legal claims, documents attached by the Plaintiff, and the claims and facts of the Plaintiff, as set forth in the Statement of Claim and Motion.

187. Parallel to the submission of this motion, Defendant 6 is also filing a motion for an extension of the deadline for filing pleadings until after adjudication of this motion.

188. It is hereby clarified that nothing in this Motion or any omissions herefrom shall constitute admission of the factual claims (which are denied) of the Plaintiff, or exhaust or derogate from any claim, grounds or right available to Defendant 6.

_____	_____	_____	_____
Adv. Aaron Michaeli	Adv. Yehuda Rosenthal	Adv. Omri Ron-Tal	Adv. Tamar Yosef

Goldfarb Seligman and Co.

Counsel of Defendant 6

By a limited Power of Attorney for the filing of the Motion to Vacate Leave to Effect Service Outside the Jurisdiction only

This is Exhibit "D" referred to in the Affidavit of M. Lilly Iannacito sworn April 10, 2018

Commissioner for Taking Affidavits (or as may be)

ANDREW WINTON

District Court **CC 46263-06-17**
Tel Aviv - Jaffa **Before the Hon. Judge Naftali Shilo**

In re:	**Adv. Guy Gissin – Trustee for the execution of the Creditor Arrangement for Urbancorp Inc.** By Yael Hershkovitz and/or Gilad Bergstein Gissin & Co. Law Firm 38B Habarzel Street, Tel Aviv 69710 Tel: 03-7467777; Fax: 03-7467700	**Plaintiff**
And in re:	**1. Mr. Alan Saskin** By Boaz Ben Tzur and/or Tomer Shikarchy 4 Berkowitz Street, Tel Aviv 6423806 Tel.: 03-6075001; Fax: 03-6075029 **2. TCC/Urbancorp Bay Stadium LP.** **3. The Webster Trust** **4. Urbancorp Management Inc.** **5. Urbancorp Holdco Inc.** Defendants 2-5 by Dr. Roy Bar Kahn 5 Azrieli Center, Tel Aviv 26th Floor Tel.: 03-6962999; Fax: 03-6966191 **6. Ms. Doreen Saskin** By Aaron Michaeli and/or Yehuda Rosenthal and/or Omri Ron-Tal and/or Tamar Yosef Goldfarb Seligman & Co. Law Offices 98 Yigal Alon Street, Tel Aviv 6789141 Tel.: 03-7101616 Fax: 03-7101617	**Defendants**
And in re:	**The Official Receiver** 2 Hashlosha St., Tel Aviv 6706054 Tel: 03-6899695; Fax: 02-6462502	**Official Receiver**

Motion for an Extension in the Filing Deadline for the Plaintiff's Response to Defendant 6's Motion to Rescind Leave to Effect Service Outside the Jurisdiction and for an Extension in the Filing Deadline for Filing Pleadings Until After Being Able to Cross-Examine Ms. Saskin in the Proceeding in Canada No Later Than May 10, 2018

The Plaintiff, attorney Guy Gissin, – the official, the trustee overseeing the creditor arrangement for Urbancorp Inc. (hereinafter: the "**Plaintiff**" and the "**Company**"), respectfully submits this motion for an extension in the filing deadline for his response to the motions submitted by Defendant 6 in motions 12: [**1**] "A Motion to Rescind the Leave to Effect Service Outside the Jurisdiction Granted Against Her *Ex Parte*" (hereinafter: the "**Motion to Rescind Leave to Effect Service**"); [**2**] "Motion to Extend the Filing Deadline for Submission of Pleadings Until After Adjudication of the Motion to Receive the Leave to Effect Service Outside the Jurisdiction" (hereinafter: the "**Motion to Extend the Deadline for Filing Pleadings**"). [*sic*]

A reading of the Motion to Rescind Leave to Effect Service shows that Defendant 6, Ms. Doreen Saskin (hereinafter: "**Defendant 6**" or "**Ms. Saskin**"), is attempting to avoid her responsibility and her part in the events that led to the collapse of the Company and the condition of its creditors, at the top of which are the bondholders. Ms. Saskin words her Motion to Rescind Leave to Effect Service in a manner that is intentionally twisted without in any way presenting her own version of events, other than casting doubt and negating the official's [*translator's note – the Plaintiff*] claims. It should be noted that Ms. Saskin also failed to attach an affidavit to her motion in a foolish attempt to leave her conduct shrouded in fog and to avoid providing an affidavit as required of Ms. Saskin.

However, together with her motion and her attempt to avoid her responsibility for the Company's collapse and her breach of her duties to it which are the subject of these proceedings, Ms. Saskin is currently taking action in Canada in order to add insult to injury in an attempt to harm the approval of the creditor arrangement that is being led by the official who is seeking to obtain recognition and actual payment of the debt claim in the sum of C$8 million that was filed by the official in the framework of the Canadian insolvency proceedings for TCC/Urbancorp (Bay) Limited Partnership (hereinafter: "TCC Bay"). To the best of the official's knowledge, Ms. Saskin is the sole person objecting to the arrangement and is the only current obstacle to payment of the debt claim according to the provisions of the creditor arrangement that has been submitted to the Canadian courts, as shall be specified in Chapter B, below.

And here – Ms Saskin, who is not even a party to the TCC Bay insolvency proceedings, gives notice of her intent to oppose the arrangement reached by the official with another TCC Bay creditor and with the monitor appointed by the Canadian courts. In the framework of the arrangement with the additional creditor and with the monitor, it was agreed that the arrangement fund would receive a sum of not less than C$5.5 million and possibly even the full amount of the debt (C$8 million). As specified in this lawsuit,[1] any amount received in the framework of said arrangement will be deducted from the claim in this proceeding.

However, according to Ms. Saskin's notice, her opposition to the proceeding in Canada will only be submitted by April 10, 2018 because the Canadian attorney is currently undergoing medical treatment. After Ms. Saskin files her opposition, she is expected to be cross-examined by the official or his Canadian attorneys in Canada during the course of April 2017.

Whereas in Ms. Saskin's Motion to Rescind Leave to Effect Service, she apparently chose not to present the Court with an orderly version of events as she was required, and whereas in the framework of the Canadian proceedings, Ms. Saskin is expected to submit her opposition and information in relation to which she will be cross-

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[1] See paragraph 26 of the statement of claim.

examined by the official, and in order to permit the official to ascertain the facts required in order to accurately mitigate the Motion to Rescind Leave to Effect Service, the Court is moved to extend the deadline for filing the official's response to both motions such that it shall be filed <u>after</u> Ms. Saskin's opposition is filed in Canada and <u>after</u> she is cross-examined in Canada, and not later than May 10, 2018.

Postponing the deadline as requested will permit the official, apparently, to present the Court with a complete picture in relation to Ms. Saskin's version of events regarding her involvement in the collapse of the Company and her responsibility for undertakings given by her and by her husband in the framework of and for the purpose of raising [sic] the bonds from the public in Israel. Said extension will also permit the official to present additional evidence that Ms. Saskin was involved in her husband's business prior to publication of the prospectus as well as afterward, and continues to be involved in his affairs to this very day and was aware of the undertakings they gave in connection with the prospectus and in order to raise [sic] the bonds from the Israeli public.

It has previously been held that it is necessary to ensure the broadest possibly discovery of the information relevant to a dispute being litigated before the courts. Maximum discovery ensures exposing the truth and serves the litigants' interests as well as the public interest in ensuring justice.[2] The litigants must "play" with open cards" [sic] in order to prevent use of the improper tactic of surprising the opposing side and delaying trial.[3] A sweeping objection to discovery of information and documents as demonstrated in Ms. Saskin's Motion to Rescind Leave to Effect Service demonstrates that, "The objector seeks to hide something from the eyes of his opponent or wishes to surprise him at trial and both of these are improper."[4]

We emphasize that this motion is submitted without derogating from the official's argument that as one who finds himself at an informational disadvantage, he is not an ordinary litigant. He is not a private entity acting for his own benefit in an ordinary civil proceeding. Rather, in his position he serves as the long arm of the Insolvency Court – which instructed him to file this lawsuit, *inter alia*, against Ms. Saskin, and works for the benefit of all of the creditors who are at an informational disadvantage and are under the oversight of the Insolvency Court. Therefore, and according to caselaw, the burden imposed on the official is a lesser burden and, as he has met this burden, the burden transfers to Ms. Saskin.[5] To the official's dismay, intentionally and unlawfully, Ms.

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2 LCA 2534/02 **Yehuda Shimshon v. Bank Hapoalim Ltd. et al**, S.C. 56(5) 193; LCA 6546/94 **Israel Union Bank Ltd. v. Azulay**, S.C. 49(4) 54.

3 LCA 4249/98 **Suissa v. Haksharat Hayishuv - Insurance Company**, SC 55(1) 515.

4 Dr. Y. Zussman, <u>Civil Procedure</u> (Seventh Edition), p. 429.

5 Varda Elsheich and Gideon Orbach, <u>Suspension of Proceedings in Practice</u>, (Second Edition): "The liquidator and the trustee who enter their position are in a position that is inherently disadvantaged in relation to the opposing litigant as they do not have prior familiarity with the company and its business, *a fortiori*, with the unlawful actions taken within the company prior to its collapse.

Saskin is chosen to refrain from presenting any position justifying her Motion to Rescind Leave to Effect Service, or prove that she bears no responsibility for the collapse of the Company and the breach of the undertakings given by her and by her husband in order to raise [sic] bonds from the Israeli public.

Below are the grounds for this motion:

A. The Motion to Rescind Leave to Effect Service Lacks Any Factual Basis

1. This is a motion that contains not less than 37 pages(!) and is written in a twisted manner by means of denying the official's claims or blatantly and improperly attempting to create a misleading impression that this is a version of the facts, without alleging them, in a foolish attempt to leave her conduct shrouded in fog and to avoid providing an affidavit as required of Ms. Saskin.

2. In the wording of her motion, Ms. Saskin refrains from providing an orderly version of the facts, *inter alia*, in relation to the measure of her involvement and her holdings in the company included in the cluster of companies that owns the Company.

3. Ms. Saskin cannot rely on the argument that the burden of persuasion for fulfillment of the conditions required in order to grant leave to effect service outside the jurisdiction rests on the official and at the very least, she must provide an orderly version of the facts in relation to the claims made against her. Ms. Saskin's attempt to argue that the official did not present any evidence, "**that Defendant 6 had any involvement in Defendant 1's claim to business activities or any knowledge with regard thereto**,"[6] is not only, as we shall see below, contradicted, *inter alia*, by documents, but the absence of an orderly and clear counter version of the facts supported by an affidavit demonstrates that Ms. Saskin seeks to disclose little while hiding much.

4. Ms. Saskin's argument that no evidence was presented demonstrating any involvement on her part in Mr. Saskin's business activities including the activities of the Company and companies related to it is not only an attempt to avoid – using legal acrobatics – presenting Ms. Saskin's version of events, but rather is also inconsistent with the documents obtained by the official relating to the companies in the

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Furthermore, real life teaches us that, 'the twilight zone between the collapse and the date on which the liquidator is appointed is frequently a target for abuse and unlawful acts…'" (p. 211). Furthermore: "**In addition to the practical considerations discussed above, there is a substantive consideration – basic, according to which** the liquidator or trustee (in general) cannot be treated as 'an ordinary civil party' **whose attempt to shorten litigation is an inappropriate shortcut or an attempt to obtain an improper procedural advantage. Why is this?** Because these officials are not similar to an 'ordinary' party with an interest in the civil litigation. They serve as officials acting on behalf of the court and act in its name." (p. 212). **See, also**: C.A. 5709/99 **Ziva Levine v. Attorney Gad Schill et al** (June 18, 2001) which addresses the evidentiary basis with regard to Section 96(c) of the Bankruptcy Ordinance [New Version], 1980.

6 Emphases in the original.

Urbancorp Group of Companies allegedly bearing Ms. Saskin's handwritten signature, commencing in 1999 and until as recently as December 2016 (even after appointment of the official) demonstrating that Ms. Saskin is an active character in this cluster of companies and signs on behalf of subsidiaries and/or companies related to the Company:

4.1. Two documents bearing the date April 13, 1999 signed by Ms. Saskin in the Vestaco Investments Inc. matter (hereinafter "**Vestaco**") which is, as demonstrated by an illustration of the companies (Exhibit 2 to the lawsuit), a subsidiary of the Company. These documents were signed by Ms. Saskin in her role as president[7] of Vestaco.

"1" A copy of the documents in the Vestaco matter dated April 13, 1999 are attached hereto as **Exhibit 1**.

4.2. Two documents dated 2003 signed by Ms. Saskin's hand relating to Vestaco, also signed by Ms. Saskin as president of Vestaco alongside Mr. Saskin's signature as president of Deaja Partner (Bay) Inc. (hereinafter: "**Deaja**"). These documents show that Vestaco is the limited partner in a limited partnership called TCC/Urbancorp (Bay) Limited Partnership (hereinafter: "**TCC Bay**") **which is a privately held company owned by the Saskin couple and is one of the family companies cited in the prospectus**, and Deaja is the general partner in TCC Bay.

"2" A copy of the documents in the Vestaco matter dated 2003 is attached hereto as **Exhibit 2**.

4.3. A resolution by a sole director – that being Ms. Saskin – for DS (Bay) Holdings Inc (hereinafter: "**DS Bay**"). This document, dated December 9, 2016, was signed by Ms. Saskin as the sole director of DS Bay, approving the memorandum of agreement between Ms. Saskin (supposedly, personally) and between DS Bay in connection with the sale of subscription units in TCC Bay held by means of Vestaco on behalf of Ms. Saskin as beneficiary. The subscription units were sold to DS Bay in consideration of the issuing of 100 ordinary shares in DS Bay directly to Ms. Saskin. **This document was signed by Ms. Saskin after the official was appointed on behalf of Vestaco, which is a subsidiary of the Company.** According to an inquiry conducted by the official, approval was not requested from or given by the Canadian monitor managing the Canadian subsidiaries in the group to execute this document in Vestaco's name.

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[7] President.

"3" A copy of the board of directors' resolution and memorandum of agreement is attached hereto as **Exhibit 3**.

5. There are a number of documents that were obtained by the official and one can only estimate that these are not the only documents signed by Ms. Saskin. As we have seen, Ms. Saskin takes an active role in Mr. Saskin's business and all of the matters relating to the companies transferred by her and by members of her family to the Company in order to issue the bonds, in particular. Whatever the significance of these documents, it is clear that they are sufficient to pull the rug from under Ms. Saskin's claim that she did not take an active part in the business of the Company and/or Mr. Saskin (a claim that was not expressly made in order to avoid submitting an affidavit).

B. The TCC Bay Company Sale Proceeding in Which Ms. Saskin Gave Notice That She Intends to Submit Opposition to the Creditor Arrangement Between the Official and the Additional Creditor

6. As specified in Chapter C.1 of the statement of claim in this case and as described above, the controlling shareholder and the members of his family (including Ms. Saskin) undertook, in the framework of and under the prospectus, to assign in favor of the Company their right to receive loans from the corporations held by them, in the sum of C$8 million.

7. In practice, the assignment of the rights was done by an undertaking given by TCC Bay, a privately held company owned by the Saskins, to pay another company owned by Mr. Saskin (Urbancorp Toronto Management Inc.) the sum of C$8 million. This undertaking, allegedly enshrined in promissory notes, was assigned to the Company in December 2015 as part of the controlling shareholders' undertakings in connection with the issuing of the bonds.

8. TCC Bay is also in insolvency proceedings and reorganization under the CCA. The proceedings are being conducted by KSV Kofman Inc., the Canadian official appointed as "monitor" to manage most of the subsidiaries in the group, including TCC Bay (hereinafter: the "**Monitor**").

9. The Monitor acted to sell TCC Bay's assets, which yielded significant sums. According to the information currently in the official's possession, these sums are supposed to enable partial repayment of a substantial portion of TCC Bay's debts, including the debts that were assigned in favor of the Company based on the assignment of rights.

10. The official's debt claim to the Monitor based on the assignment of rights was denied in its entirety, as was the official's appeal to the Canadian court in relation to the denial of the debt claim. The Canadian court adopted the Monitor's position that there is no effect to the promissory notes whereas they were not based on a debt at the time the rights were assigned. The Canadian court further held that all of the companies

involved in Mr. Saskin's control [sic] knew or should have known, at the time the rights were assigned, that there is no actual debt at the basis of the assigned rights.

11. Accordingly, on June 23, 2017, the official submitted a motion to the Canadian court to permit filing an amended debt claim against TCC Bay with respect to the damages incurred as a result of the invalidity of the promissory note. The Monitor allocated suitable reserves in TCC Bay's coffers with respect to this motion.

12. During the course of the last few months, in an attempt to nevertheless rescue the Company's rights based on the promissory notes that were assigned at the time by the companies owned and controlled by Ms. Saskin and her husband to the Company, the official engaged in ongoing contacts with an insured creditor of TCC Bay – a financing company by the name of Terra Firma Capital Corporation, and succeeded in reaching agreements with it that will permit distribution of the balance of the proceeds of the sale of TCC Bay.

13. On February 13, 2018, the official and the creditor reached an agreement that will permit distribution of the balance of the sale proceeds from TCC Bay [sic]. On February 16, 2018, they filed a motion with the Canadian court, with the Monitor's consent, regarding how the proceeds would be distributed. Following submission of this agreement to the Canadian court, Ms. Saskin gave notice that she intends to oppose this agreement. **To the best of the official's knowledge, Ms. Saskin is the sole person opposing the arrangement and is the only obstacle currently in the way of payment of the debt claim in accordance with its provisions [sic].**

14. **Thus, Ms. Saskin, who in these proceedings has refrained from presenting her version of the facts regarding her involvement in the Company and its collapse, in fact gave notice in the Canadian proceeding, to which she was <u>not</u> even a party, that she intends to oppose the arrangement that is supposed to infuse funds into the Company's accounts (and to reduce the amount of the lawsuit in these proceedings [sic]) and to present a version of events and claims in that case on which she may be cross-examined.**

C. <u>Conclusion</u>

15. In light of the above, this Court is moved to extend the deadline for filing the official's response to both motions, such that it shall be filed after Ms. Saskin has filed her opposition in Canada, and no later than May 10, 2018.

Guy Gissin, Esq. **Trustee for the Performance** **of the Creditor**	**Gilad Bergstein, Esq.** **Counsel for the Trustee for** **the Performance of the**

Arrangement for Urbancorp Inc.

Creditor Arrangement for Urbancorp Inc.

Tel Aviv, March 20, 2018

IN THE MATTER OF THE *COMPANIES CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF URBANCORP (WOODBINE) INC., et al.
Applicants

Court File No. CV-16-11549-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

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