Court File No.: CV-16-11389-00CL

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 TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC., URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP (LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENTS INC., URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP NEW KINGS INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC. (THE "APPLICANTS") AND THE AFFILLIATED ENTITIES LISTED IN SCHEDULE "A" HERETO

APPLICATION RECORD

(Returnable May 18, 2016)

(Volume 2 of 2)

DATED: May 13, 2016

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TO: SEE ATTACHED SERVICE LIST

URBANCORP TORONTO MANAGEMENT INC. ET AL.
SERVICE LIST
(Updated May 13, 2016)

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Lawyers for Travelers Guarantee Company of Canada

Court File No.: CV-16-11389-00CL

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

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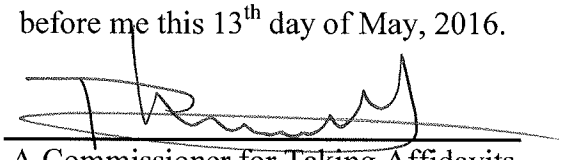
C

This is Exhibit "C" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.



A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

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 **D**ebenture 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 "**O**rdinary 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. Issue of the Debentures; Terms of Issue; Pari Passu Debentures

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. Acquisition of Debentures by the Company and/or a related person and distribution

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"**	Downsview Home 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 the properties and/or other 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 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 <u>Surplus ratio undertaking</u>

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 <u>The cancellation of the undertakings to comply with the financial covenants, the dividend restriction, adjustment of the interest rate and others</u>

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. Notice of distribution

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

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. Additional undertakings

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. Waiver, settlement and alterations to the Deed of Trust

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. General

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. Trustee's Liability

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.

Lightstone Enterprises Limited

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. Quorum for Opening a Meeting and an Adjourned Meeting

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. Examination of the Existence of a "Conflicting Interest"

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).

***

D

This is Exhibit "D" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.

A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

25/04/2016

The District Court in Tel-Aviv – Yafo

Liquidation File 44348-04-16 Reznik Paz Nevo Trusts Ltd. Vs. Urbancorp Inc.

Before the Honorable Justice Eitan Orenstein, Vice President

On the matter of:	**the Companies Act, 5759-1999**
And on the matter of:	**the Companies Regulations (Request for Compromise or Arrangement), 5762-2002**
And on the matter of:	**Article 350 of the Companies Act, 5759-1999**
And on the matter of:	**Reznik Paz Nevo Trusts Ltd.** **Trustee of holders of bonds (class A) of the company** **By its representatives: Yoel Freilich, Adv., Yael Herschkowitz, Adv., Inbar Hakmian-Nahari, Adv., and Evgeniya Gluchman, Adv.** **The Applicant**
And on the matter of:	**Urbancorp Inc.** **By its representative: Gad Ticho, Adv.** **The Company**
And on the matter of:	**the Official Receiver** **By its representative: Roni Hirschenzon, Adv.**

Decision

General

1. Before me is an urgent request for the provision of temporary reliefs and for the appointment of a functionary in Urbancorp Inc. (hereinafter: "**the Company**"), pursuant to Regulation 14(a) of the Companies Regulations ((Request for Compromise or Arrangement), 5762-2002 (hereinafter: "**the Arrangement Regulations**") and Article 350 of the Companies Act, 5759-1999 (hereinafter: "**the Companies Act**").

Summary of the Facts

2. The Company incorporated in Canada and it is registered in the county of Ontario. Its main occupation is leasing and initiating real-estate for residential and commercial purposes at the location of its incorporation. The Company operates geothermal systems in several of its projects, which are used for providing heating and cooling for the

properties, while using green energy. It is in the control of Mr. Alan Saskin, a citizen of Canada and a resident thereof (hereinafter: "**the Controlling Party**").

In December 2015 the Company has raised bonds from the Israeli public, amounting to approximately 180 million ILS, with an interest of 8.15%. The bonds was raised pursuant to a prospectus dated 30/11/2015 and later completions thereof, and were registered for trade at the Tel-Aviv Stock Exchange. It shall be stated that Midroog Ltd. Has granted the bonds a rating of A3, a medium-high rank. The underwriter of the issuance was Apex Issuances Ltd., the prospectus was drafted by Shimonov & Co. Law Firm, and the Deloitte firm Brightman, Almagor, Zohar & Co., Accountants. The trustee for the holders of bonds is Reznik Paz Nevo Trusts Ltd., which has submitted the application (hereinafter: "**the Trustee**").

The consideration of the issuance was intended to serve for shareholders' loan for the Company's subsidiaries which are also incorporated in Canada (hereinafter: "**the Subsidiaries**") and for providing equity for paying off loans in their various projects, as specified in the bill of trust, as well as for the payment of taxes.

The application states that during the months following the issuance, there has been a severe deterioration in the Company's financial state and in its capability to sustain itself, which is the result of a number of events, when according to the Applicant it is impossible to rule out that the share of those had already been known prior to the issuance, but they have not been reported. The outcome was that all Company directors, apart from the Controlling Party, have resigned; the Company's trade in securities has ceased; the ranking has ceased, and more. In light of the foregoing, there has been very intensive contact with the Controlling Party, who was supposed to sign a Stand-Still document, and has asked to delay the taking of actions against the Company. Nevertheless, the Trustee was surprised to find out that the Subsidiaries, which excess cash flows were supposed to serve the debt for the holders of bonds, have recently begun an insolvency proceeding in Canada, and a trustee on behalf of the court there has been appointed to them.

The Request

3. The Trustee points in his request, to a series of severe failures in the Company's conduct, which also constitute a breach of the bill of trust, and give rise to a cause for providing the debt for immediate repayment and taking proceedings against the Company. For this

matter, it has been claimed that it is necessary to immediately intervene in the Company's businesses by appointing a functionary, who shall be granted the authorities of the Company's directorate; who shall exercise the Company's power of control in its Subsidiaries; who shall examine the insolvency proceedings taken by the Subsidiaries; who shall negotiate with the trustee appointed to them; who shall act to obtain all required information pertaining to raising the capital; who shall formulate a recovery plan for the Company, inasmuch as it shall be possible; and who shall enter the Company's premises and its offices and shall seize its assets, including accounts and financial deposits.

4. The request was submitted on 24/04/2016, during the Passover recess, and I have instructed holding an urgent discussion today in the presence of the Company, its former functionaries who provide services to it, the Israeli Securities Authority, the Official Receiver and more. In my decision from yesterday, an order for the prohibition of disposition was also granted, according to which the Company and anyone on its behalf is prevented from making any transaction, of any sort and type whatsoever, with its property.

The Court Discussion

5. The following were present at the discussion: the Trustee and its representatives; the representative of the recently resigned Company directors; the Company's former legal consultants; the representative of the Tel-Aviv Stock Exchange and members of its legal department; the representative of the Official Receiver, as well as Gad Ticho, Adv., on behalf of the Company, who has notified that he had taken on representing the Company the previous evening.

   The Trustee's representative, Yoel Freilich, Adv., has repeated the request during the discussion, and has emphasized the need for granting the urgent reliefs. He clarified that the Trustee has engaged with a law firm in Canada, which shall assist the functionary, should he be appointed, in fulfilling his position; that there is no conflict of interests for the intended functionary, and more.

   According to the Company's representative, its client does not object to leaving the order of prohibition of disposition effective, however it does not see the need for appointing a functionary and for granting the requested authorities, and it objects to the identity of the suggested functionary due to conflict of interests. In addition, the Company's

representative has claimed that there is no need for the drastic requested reliefs, that the Company should be given leave to submit a proper response, that in any case a meeting of the holders of bonds is scheduled for 01/05/2016 – in which the meeting shall decide with regards to continuing the proceeding – and that no irreversible damage shall occur should the order not be granted.

The representative of the Official Receiver holds the opinion that the state of the Company justifies granting a relief against it, similar to other cases in which the court has instructed appointing a functionary, even if it is for a limited period of time, until the situation is clarified.

Discussion and Ruling

6. We are dealing with a request which was submitted urgently during the Passover recess, and which requires an urgent decision, therefore I shall suffice with a brief reasoning.

The Rule

The request, by nature, is a request for temporary relief, and prior to submitting the primary proceeding. Therefore, it should be examined by the rules used for temporary reliefs, namely, does the Applicant meet the test of *prima facie* reliable evidence in the cause of the action as well as the balance of convenience test, and as set in the Civil Procedure Regulations, 5744-1984 and in rulings, when between the two there is a "parallelogram of forces" (see Civil Leave of Appeal 2174/13 **D.K. Shops for Rent in Herzlia HaTze'ira Ltd. Vs. Avraham Cohen & Co. Contracting Company Ltd.** (published on the website of the Judicial Authority, 19/04/2016).

I shall emphasize, that under the circumstances of the request before me, when the primary relief has not yet been requested, the court is required to take extra precautions when ruling on a request for temporary relief, especially given the drastic temporary reliefs requested therein.

The request is accompanying to a primary proceeding which the Trustee is intending to submit pursuant to the provisions of Article 350 of the Companies Act, which deals with an arrangement between a company and its creditors, a proceeding which, according to the word of the law, can also be taken by a creditor of the company, in addition to the company itself, or a participant or a liquidator. As is known, it is possible to appeal for

temporary reliefs even before beginning the primary proceeding, provided that the applicant has met the required conditions stated above.

Another basis for the request, as mentioned, is Regulation 14(a) of the Arrangement Regulations, which authorizes the court to appoint a functionary when discussing a request for arrangement in accordance with Article 350 of the Companies Act, saying:

> **"To appoint a functionary, who shall have all authorities and duties which shall be determined by the court, including managing the company or supervising its management, keeping its assets, as well as examining claims of debt and claims for amending the registry of shareholders in the method specified in Chapter C; the court shall appoint a functionary once it was convinced that the candidate is suitable for the position due to his skills or his experience in formulating compromise arrangements or an arrangement[...]"**

From the General to the Specific

7. Viewing the statements of claim and their appendixes paints a grim picture, to say the least, of the state of the Company.

On the surface it appears that it is failing to meet the conditions of the bill of trust, in a way which gives rise to a cause for providing the debt for immediate repayment. For this matter, I shall list the breaches, each of which is sufficient to give rise to the stated cause, let alone when put together: the trade in the Company's bonds has been stopped; the Company's rating by Midroog Ltd. has also been stopped; all of the Company's Israeli directors have resigned, as well as its legal consultants and its internal auditor;

And severe failures in the Company's activity have been found, as specified in the report it submitted pertaining to its financial data, dated 20/04/2016. Amongst those: a loss of 15 million Canadian Dollars compared with the current activity in the last quarter of 2015; a decrease in the value of the right of the Controlling Party assigned to the Company to receive loans from corporations in his control, thus from an estimated value of approximately eight million Dollars, the value is expected to drop to an insignificant amount; concern that the Company shall decrease the value of the geothermal assets at a total ranging between four and six million Canadian Dollars. The end of the report even

states that it is possible that the Company's state is far worse and that its losses shall be high.

Another event teaching of failures in the Company which should be stated, is the decision of the Canadian Home Organization Trion dated 04/04/2016, to not extend the Company's license, namely, the Company is not entitled to continue its activity of initiating and selling planned projects.

This is joined by the fact stated above, that the Subsidiaries have recently begun a stay of proceedings in Canada, as part of which a trustee was appointed to them. The Company and the Controlling Party have not brought this important fact to the knowledge of the Trustee, let alone given details pertaining to the proceeding taken, its significance, its implication of the Company and such.

The conclusion drawn from the stated above is that there is total uncertainty with regards to the Company's financial state, its equity, its capability of sustaining itself, and concern for the fate of the investments made by the holders of bonds. Another conclusion is that there is a substantial lack of information pertaining to the occurrences in the Company, and the Trustee is forced to seek in the dark, all when there is concern for the fate of the Company and its assets, including with regards to the occurrences in the Subsidiaries and their assets, which have enjoyed the monies of capital raised by the holders of bonds.

In my opinion, the stated above is sufficient basis for appointing a functionary to the Company, who shall be authorized to receive all information pertaining to the Company, its activity, its property and its rights, including the Subsidiaries and the proceedings conducted in Canada. Simultaneously, the functionary shall be able to track the Company's property, to locate it, to seize it and to prevent making irreversible actions. I shall add that obtaining the information shall also enable making an educated decision regarding taking appropriate proceedings with regards to the Company, to minimize damages and to redirect, as much as possible, the monies which would be could be paid to the holders of bonds.

Needless to say, the Company is in the twilight zone of insolvency, when there is concern for its fate and for the fate of the monies of investors, unless urgent actions are taken. As stated by the representative of the Official Receiver, the court discussing insolvency has a wide range of reliefs at its disposal, which also apply to a situation where the Company is in the twilight zone of insolvency. In this regard I shall refer to a recent ruling by the

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Supreme Court, as said by the Honorable Justice E. Hayut in Civil Appeal 3791/15 **Synergy Cables vs. Hever**, paragraph 8 (published on the website of the Judicial Authority on 19/04/2016):

> **The District Court has not ruled pursuant to which legal authority it appoints the respondent, but as rightfully stated by the respondent, reality shows that there are cases [...] where the court appoints functionaries in proceedings in which the corporation is in the "zone of insolvency", even prior to issuing an order for stay of proceedings or for the liquidation of the company (compare, for example: Liquidation File (Tel-Aviv) 36681-04-13 Hermetic Trusts (1975) Ltd. vs. IDB Development Ltd. (30/04/2013), in which the District Court in Tel-Aviv (Justice E. Orenstein) has decided to appoint a functionary who was defined as an "observer" for the company, while relying for this purpose of the wide authority granted to him in accordance with Regulation 14(a)(1) of the Companies Regulations [...]**
>
> (Emphasis not in the original – E.O.)

This rule also applies to the matter before us.

In my opinion, the circumstances of the case meet the tests required for granting a temporary relief. For this matter, the Company has allegedly breached its undertakings towards the holders of bonds in a way which grants the holders of bonds the right to provide the debt for immediate repayment, and to claim the reliefs due as a result thereof. I shall add that the balance of convenience also leans towards granting the temporary relief. In this context, I shall state that according to the Company's representative, these days a substantial transaction is to be executed, of selling the Company's property, which should provide it with a substantial amount of money; it is not improbable that the consideration shall not be given to the holders of bonds, despite the order of prohibition of disposition, in the absence of practical capability for enforcement, thus causing irreversible damage. Therefore, only a functionary who could also track the stated transaction, could possibly prevent irreversible damage to the holders of bonds.

This conclusion is emphasized noticing the recent problematic conduct of the Controlling Party. As is evident in the request, he has failed to disclose to the Trustee during contacts

conducted these days that the Subsidiaries intend on taking the proceeding of insolvency as they have done.

In fact, the Company has no management core, whereas all directors, apart from the Controlling Party, have resigned, it has no internal auditor, and even the legal consultants have terminated their engagement with it. In this state of affairs, the Company is given to the good will of the Controlling Party, and in light of the problems I have pointed pertaining to him, and in the absence of supervision on his conduct, it would be best to appoint a factor who shall take the Company's reigns and shall supervise the occurrences in the Company at least until the picture is clarified.

I have not ignored the claim made by the Company's representative regarding the damage which could be caused to the Company due to appointing the functionary, but I have not seen that it leads to a different conclusion. I believe that the weight of the reasons I have specified above, exceeds by far the concern raised by Advocate Ticho in this regard. In any case, it is possible to find the required balance between guaranteeing the Company's conduct and the argued damage, by limiting the authorities which shall be granted to the Trustee and the period of time in which he shall be appointed. I shall emphasize that the concern raised by Advocate Ticho, which, according to him, may be a result of appointing a temporary liquidator to the Company, can be abated by not appointing a temporary liquidator, which has not even been requested.

I have also answered the argument made by Advocate Ticho regarding the conflict of interest in which the offered functionary is allegedly in, due to him representing the Trustee. I have not found this argument sufficient reason for not appointing Advocate Gissin, and I shall clarify: Gissin & Co. Law Firm has accepted the representation of the Trustee only recently, as Advocate Freilich has said in the discussion. The firm has not represented the Trustee in the process of preparing the prospectus, its publication and the issuance of the bonds, nor in the following period, but only following the Company's getting into trouble. Therefore, it is impossible to say that he is involved in proceedings preceding this request. In addition, should it be found out in the future, that there is a conflict of interest, the argument shall be made before the court and shall be examined by itself, and the argument shall not prevent the appointment at the preliminary stage we are in.

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8. To complete the picture I shall state that there is no dispute regarding the authority of the court in Israel to grant the requested relief. In this context, I shall refer to the various documents attached by the Trustee to the request, including the prospectus and the bill of trust, which state that the Company acknowledges the authority of the court in Israel to grant the reliefs (see clause 34 of the bill). In addition, I shall state that Article 39a of the Securities Law, 5728-1968, which applies to the prospectus, rules that the provisions of the Companies Act shall apply to any foreign company which has issued securities. Needless to say, the authority of the court to discuss the request is also pursuant to the court ruling given in a case with similar circumstances, and I shall refer to Civil Appeal 2706/11 **Sybil Germany Public Co. Limited vs. Hermetic Trusts (1975) Ltd.** (published on the website of the Judicial Authority on 04/09/2015).

9. **<u>In light of the foregoing I hereby instruct as follows:</u>**

   I appoint Advocate Gissin as functionary in Urbancorp Inc. and grant him the authority to exercise the Company's authorities, for all following actions:

   - To locate, to track and to seize all Company assets, of any sort and type whatsoever, including its monies and rights in the Subsidiaries;
   - To exercise the Company's power of control in the Subsidiaries;
   - To obtain all information, of any sort and type whatsoever, pertaining to the Company's activity, its property and its rights; the same applies to the Subsidiaries;
   - To negotiate with the Subsidiaries' trustee, and for this purpose, to also approach the Canadian court as an authorized representative of the Company;
   - To track the Company's activities prior to the prospectus and thereafter.

   For the purpose of exercising these authorities, the functionary is hereby authorized to appear in the Company's name before any body, authority or person in Israel and abroad; to obtain any information whatsoever from any of the Company's factors, from the Controlling Parties, from the authorities and from any person who has provided or is providing services for the Company; and to obtain from them all documents he believes shall be required for fulfilling his position.

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The functionary shall be authorized to formulate an initial outline of a creditors' arrangement.

The functionary shall approach the court if necessary, and shall request its permission to exercise Company authorities not expressly specified in the decision.

For the avoidance of doubt: the functionary is not authorized to realize the Company's property.

A condition for the appointment is the functionary depositing a personal bond at a total of 250,000 ILS.

The functionary shall do all that he can for obtaining the required information in the coming days, so that it can be presented, as much as possible, before the meeting of holders of bonds set for next Sunday, 01/05/2016.

At this point I set the appointment until 22/05/2016 or as shall be otherwise decided.

A first report of the functionary's actions shall be submitted by 08/05/2016.

The case has been set for discussion **for 22/05/2016 at 11:30**.

The secretariat shall notify the decision by telephone and shall also send it by fax.

Given today, 17 Nisan 5776 (25th of April 2016), ***ex parte.***

Eitan Orenstein, Justice

Vice President

E

This is Exhibit "E" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.

A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

GENERAL SECURITY AGREEMENT

As a general and continuing collateral security for payment of all existing and future indebtedness and liability of the undersigned to **Reznik Paz Nevo Trusts Ltd. (the "Secured Creditor")** being the Trustee to the holders of series A debentures (the "Debentures") issued by Urbancorp Inc. (the "Company") in accordance with a Deed of Trust dated December 7, 2015 made between Urbancorp Inc. and the Secured Creditor (the "Deed of Trust") wheresoever and howsoever incurred and any ultimate unpaid balance thereof, the undersigned hereby charges in a first ranking and exclusive charge in favour of and grants to the Secured Creditor a first ranking and exclusive security interest in the undertaking of the undersigned and all property of the kinds hereinafter described of which the undersigned is now or may hereafter become the owner and the undersigned agrees with Secured Creditor as hereinafter set out.

2. In this Agreement

"PPSA Act" means The Personal Property Security Act (Ontario) and any Act that may be substituted therefor, as from time to time amended.

"Collateral" means and includes all of the above mentioned and as described in section 15 hereof undertaking and property whether now owned or hereafter acquired, and whether tangible or otherwise.

"Chattel paper", "documents of title", "goods" and "instrument" have the meanings respectively ascribed to them in the PPSA Act;

"HS Trust Account" means individual dedicated trust accounts established by Harris Sheaffer LLP to hold funds of the Projects, in a separate account for each project on behalf of the Subsidiaries;

"Receivables" means the property described in paragraph 3.03 hereof, and;

"Subsidiaries" means any one of Urbancorp (Lawrence) Inc., Urbancorp (Mallow) Inc., Urbancorp (Patricia) Inc., and Urbancorp (St. Clair Village) Inc.

DESCRIPTION OF PROPERTY

3.01 **Inventory** INTENTIONALLY DELETED

3.02 **Equipment** INTENTIONALLY DELETED

3.03 **Receivables** All debts, accounts., claims, moneys and choses in action now or hereafter due or owing to or owned by the undersigned in respect of the projects listed hereunder and in respect of the Harris Sheaffer LLP Trust Account.

3.04 **Chattel Paper** All chattel paper now or hereafter owned by the undersigned.

3.05 **Documents of Title** INTENTIONALLY DELETED.

3.06 **Books, Records, etc.** All books and papers recording, evidencing or relating to the above mentioned Receivables, chattel paper or documents of title, and all securities, bills, notes, instruments, writings and other documents now or hereafter held or owned by the undersigned or anyone on behalf of the undersigned with respect to the above mentioned Receivables, chattel paper or documents of title.

3.07 **Securities** INTENTIONALLY DELETED.

3.08 **Proceeds** All personal property in any form or fixtures derived directly or indirectly from any dealing with the Collateral or that indemnifies or compensates for Collateral destroyed or damaged.

OWNERSHIP OF COLLATERAL

4. The undersigned represents and warrants that, except for the security interest created and except for purchase money obligations, the undersigned is, or with respect to Collateral acquired after the date hereof will be, the owner of the Collateral free from any mortgage, lien, security interest or encumbrance.

"Purchase money obligations" means any mortgage, lien or other encumbrance upon property assumed or given back as part of the purchase price of such property or arising by operation of law or any extension or renewal or replacement thereof upon the said property, if the principal amount of the indebtedness secured thereby is not increased.

INSURANCE

5. The undersigned shall keep the Collateral insured against loss or damage by fire and such other risks as the Secured Creditor may reasonably require to the full insurable value thereof, and shall either assign the insurance policies to the Secured Creditor or have the loss thereunder made payable to the Secured Creditor as the Secured Creditor may require. At the request of the Secured Creditor such policies shall be delivered to and held by it. Should the undersigned neglect to maintain such insurance the Secured Creditor may insure, and any premiums paid by the Secured Creditor together with interest thereon shall be payable by the undersigned to the Secured Creditor upon demand.

LIENS, Etc.

6. The undersigned shall keep the Collateral free and clear of all taxes, assessments, claims, liens and encumbrances and shall promptly notify the Secured Creditor of any loss of or damage to the Collateral or any part thereof.

USE OF COLLATERAL

7. Until default as hereinafter defined, the undersigned may, subject to the provisions of paragraph 10 hereof, use the Collateral in any lawful manner not inconsistent with this agreement, the Deed of Trust or with the terms and conditions of any policy of insurance thereon, and shall sell the same in the ordinary course of business. All proceeds of sale shall be received as trustee for the Secured Creditor and shall be forthwith paid over to the Secured Creditor subject to the instructions of the Inspector.

INFORMATION AND INSPECTION

8. The undersigned shall from time to time forthwith on request furnish to the Secured Creditor in writing all information requested relating to the Collateral or any part thereof, and the Secured Creditor shall be entitled from time to time to inspect the tangible Collateral wherever located including, without limitation, the books and records referred to in paragraph 3.06 hereof, and for such purpose the Secured Creditor shall have access to all places where the Collateral or any part thereof is located and to all premises occupied by the undersigned.

DEFAULT

9.01 Upon the occurence of an "Event of Default" as defined hereunder by the Secured Creditor may appoint in writing any person to be a receiver (which term shall include a receiver and manager) of the Collateral, including any rents and profits thereof, and may remove any receiver and appoint another in his stead and such receiver so appointed shall have power to take possession of the Collateral and to carry on or concur in carrying on the business of the undersigned, and to sell or concur in selling the Collateral or any part thereof. Any such receiver shall for all purposes be deemed to be the agent of the undersigned. The Secured Creditor may from time to time fix the remuneration of such receiver. All moneys from time to time received by such receiver shall be paid by him first in discharge of all rents, taxes, rates, insurance premiums and outgoings affecting the Collateral, secondly in payment of his remuneration as receiver, thirdly in keeping in good standing any liens and charges on the Collateral prior to the security constituted by this agreement, and fourthly in or toward payment of such parts of the indebtedness and liability of the undersigned to the Secured Creditor as to the Secured Creditor seems best, and any residue of such moneys so received shall be paid to the undersigned. The Secured Creditor is appointing or refraining from appointing such receiver shall not incur any liability to the receiver, the undersigned or otherwise. "Event of Default" means the default of the Company in payment of all or any part of the indebtedness or liability of the undersigned to the Secured Creditor or in the performance or observance of an of the provisions of the Deed of Trust under which the Secured Creditor is entitled to enforce the pledge created herein, in accordance with the provisions of the Deed of Trust.

9.02 In addition to the rights and remedies specifically provided herein, Secured Creditor shall, upon default, have the rights and remedies of a secured party under the PPSA Act.

9.03 Unless the Collateral is perishable or unless the Secured Creditor believes that the Collateral will

decline speedily in value, the undersigned shall be entitled to not less than fifteen days' notice in writing of the date, time and place of any public sale or of the date after which any private disposition of the Collateral is to be made.

9.04 The Default Provisions set out herein are in addition to the default provisions set out in the Deed of Trust.

RECEIVABLES

10. The Secured Creditor may collect, realize, sell or otherwise deal with the Receivables or any part thereof in such manner, upon such terms and conditions and at such time or times, whether before or after default, as may seem to it advisable and without notice to the undersigned (except in the case of sale and then subject to paragraph 9.03 hereof). The Secured Creditor shall not be liable or accountable for any failure to collect, realize, sell or obtain payment of the Receivables or any part thereof and shall not be bound to institute proceedings for the purpose of collecting, realizing or obtaining payment of the same or for the purpose of preserving any rights of the Secured Creditor, the undersigned or any other person, firm or corporation in respect of the same. All moneys collected or received by the undersigned in respect of the Receivables shall be received as trustee for the Secured Creditor and shall be forthwith paid over to the Secured Creditor. All moneys collected or received by the Secured Creditor in respect of the Receivables or other Collateral may be applied on account of such parts of the indebtedness and liability of the undersigned as to the Secured Creditor seems best or in the discretion of the Secured Creditor may be released to the undersigned, all without prejudice to the liability of the undersigned or the Secured Creditor's right to hold and realize this security.

CHARGES AND EXPENSES

11. The Secured Creditor may charge on its own behalf and pay to others reasonable sums for expenses incurred and for services rendered (expressly including legal advices and services) in or in connection with realizing, disposing of, retaining or collecting the Collateral or any part thereof, and such sums shall be a first charge on the proceeds of realization, disposition or collection.

FURTHER ASSURANCES

12. The undersigned shall from time to time forthwith, on the Secured Creditor's request do, make and execute all such financing statements, further assignments, documents, acts, matters and things as may be required by the Secured Creditor of or with respect to the Collateral or any part thereof or as may be required to give effect to these presents, and upon default by the undersigned of its obligations herein, the undersigned hereby constitutes and appoints an designated representative of the Secured Creditor the true and lawful attorney of the undersigned irrevocable with full power of substitution to do, make and execute all such statements, assignments, documents, acts, matters or things with the right to use the name of the undersigned whenever and wherever it may be deemed necessary or expedient.

DEALINGS BY SECURED CREDITOR

13. The Secured Creditor may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges and otherwise deal with the undersigned, debtors of the undersigned, sureties and others and with the Collateral and other securities as the Secured Creditor may see fit without prejudice to the liability of the undersigned or the Secured Creditor's right to hold and realize this security.

LOCATION OF COLLATERAL

14. Save as to any property described in Paragraph 15 hereof, the Collateral, insofar as it consists of tangible property, is now and will hereafter be kept at the following place of places:

(a) Suite 2A, 120 Lynn Williams Street, Toronto, Ontario
(b) Suite 610, 4100 Yonge Street, Toronto, Ontario M2P 2B5

and, subject to the provisions of paragraph 7 hereof, none of the Collateral shall be transferred or assigned without the written consent of the Secured Creditor.

SUPPLEMENTARY DESCRIPTION OF COLLATERAL

15.

(a) Proceeds of the HS Trust Accounts

(b) The undersigns' interest in the following building projects (the "Projects"):

(i) Lawrence Project
Lawrence Project Company – Urbancorp (Lawrence) Inc.

(ii) Mallow Project
Mallow Project Company – Urbancorp (Mallow) Inc.

(iii) Patricia Project
Patricia Project Company – Urbancorp (Patricia) Inc.

(iv) Caledonia Project
Caledonia Project Company – Urbancorp (St. Clair Village) Inc.

(c) The Owners Loans as described and defined in the Deed of Trust.

(d) The Dedicated Account as described and defined in the Deed of Trust.

16. Capitalized Terms – all capitalized terms herein, if not defined herein, shall have the same meaning as described to them in the Deed of Trust.

17. This agreement (a) shall be a continuing agreement in ever respect; (b) shall be governed by the laws of the Province of Ontario. No remedy for the enforcement of the rights of the Secured Creditor hereunder shall be exclusive of or dependent on any other such remedy but any one or more of such remedies may from time to time be exercised independently or in combination. The security interest created or provided for by this agreement is intended to attach when this agreement is signed by the undersigned and delivered to the Secured Creditor. For greater certainty it is declared that any and all future loans, advances or other value which the Secured Creditor may in its discretion make or extend to or for the account of the undersigned shall be secured by this agreement.

18. NON-MERGER The pledged Collateral and the security herby constituted shall not operate by way of merger of any of the obligations or of any of the present or future indebtedness, liabilities or obligations of any other person to the undersigned. The taking of a judgement or judgements with respect to any of the obligations shall not operate by way of merger of or otherwise affect the security created hereby or any of the covenants, rights or remedies contained in this Agreement.

19. ENTIRE AGREEMENT This Agreement together with the Deed of Trust constitutes the entire agreement between the parties hereto and supersedes any and all prior agreements, understandings, representations or undertakings, whether written or verbal, in respect of the subject matter hereof.

20. NOTICE Any demand, notice or other communication in connection with this Agreement shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee, mailed by registered mail or sent by telefasimile, email or other direct written electronic means, charges prepaid, at or to the address, telefacsimilie or email address of the party set out opposite its name below or numbers as either party may from time to time designate to the other party in such manner.

In the case of the Undersigned:

12 Lynn Williams Street,
Suite 2A,
Toronto, Ontario
M6K 3N6
Telephone: 416-928-5001
Fax: 416-928-9501
Attention: Alan Saskin

In the case of the Secured Creditor:

REZNIK PAZ NEVO TRUTS LTD.
14 Yad Haratzim Street,

Tel Aviv,
Israel,
67778
Telephone: 972-3-6389200
Fax: 972-3-6389222

Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such dated is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication maled as aforesaid shall be deemed to have been validly and effectively given on the first Business Day following the date of mailing, provided that, in the event of an interruption in postal service before such first Business Day, such communication shal be given by on or the other means.. Any communication which is transmitted by telefacsimile or other direct written electronic means as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day as such transmission was made during normal business hours of the recipient, otherwise it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.
"Business Day" means Monday to Friday, excluding statutory holidays.
"Normal business hours" means 9:00 A.M. to 5:00 P.M. during the recipient's time zone.

21. SUCCESSORS AND ASSIGNS This Agreement shall enure to the benefit of the Undersigned, their respective successors and assigns and shall be binding upon the Secured Creditor, its successors and assigns.

22. EXISTENCE OF EVENT OF DEFAULT Notwithstanding the provisions of secton 17 above, any and all disputes regarding the existence of an Event of Default shall be governed exclusively by Israeli law and shall be settled by a court of competent jurisdiction of Tel Aviv, Israel, which shall have exclusive jurisdiction to settle any such dispute.
The Undersigned undertakes not to claim, outside of Israel, against the existence of an Event of Default or against the debt, in the event that a proceeding in Israel has been undertaken by the Secured Creditor.

23. The security hereby constituted is in addition to and not in substitution for any other security nor or hereafter held by the Secured Creditor.

24. The security interest constituted hereby shall be deemed to be a continuing security for the obligations of the Undersigned until the earlier of (a) such time as the Secured Creditor has received all amounts due to the Company pursuant to its loan agreements with its Subsidiaries and deposited same in the Dedicated Account or (b) the Debentures are repaid in full, together with accrued interest and costs. Uon the occurrence of (a) or (b) above, the Secured Creditor shall forthwith release the pledged Collateral from the assignment, hypothecation, pledge and security interest herein contained and return to the Corporation all documents evidencing ownership or title to the pledged Collateral.

IN WITNESS WHEREOF the undersigned has executed this agreement this 21st day of December, 2015.

UBRANCORP INC.

Per:_____
Name: Alan Saskin
Title: President

I have authority to bind the Corporation

Address: Suite 2A
120 Lynn Williams St.
Toronto, Ontario

URBANCORP (LAWRENCE) INC.

Per:_____
Name: Alan Saskin
Title: President

I have authority to bind the Corporation

Address: Suite 2A
120 Lynn Williams St.
Toronto, Ontario

URBANCORP (MALLOW) INC.

Per:_____
Name: Alan Saskin
Title: President

I have authority to bind the Corporation

Address: Suite 2A
120 Lynn Williams St.
Toronto, Ontario

URBANCORP (PATRICIA) INC.

Per:_____
Name: Alan Saskin
Title: President

I have authority to bind the Corporation

Address: Suite 2A
120 Lynn Williams St.
Toronto, Ontario

URBANCORP (ST. CLAIR VILLAGE) INC.

Per:_____
Name: Alan Saskin
Title: President

I have authority to bind the Corporation

Address: Suite 2A
120 Lynn Williams St.
Toronto, Ontario

F

DECLARATION OF TRUST

WHEREAS URBANCORP (ST. CLAIR VILLAGE) INC. ("St. Clair") is the registered owner of the property known municipally as 19 Innes Avenue/177 Caledonia Road, Toronto and legally described as Part Block X, Plan 1393D, City of Toronto (the "Lands");

AND WHEREAS St. Clair will now become the owner of the Lands for and on behalf of Urbancorp Cumberland 1 LP (the "Beneficiary");

NOW THEREFORE WITNESSETH that in consideration of the payment of TWO ($2.00) DOLLARS now paid to St. Clair by the Beneficiary, St. Clair does hereby declare for itself, its successors and assigns that from and after the date hereof:

1. all obligations, including mortgage obligations, contracts, agreements, responsibilities, acts or omissions pertaining to the Lands from this date and thereafter during the time it will be vested in the name of St. Clair, will be performed or omitted to be performed by the Beneficiary;

2. the Lands and all monies which may be payable in respect of the Lands, whether by way of rents, dividends or capital distributions or otherwise howsoever and all the benefits pertaining to the Lands are or will be held by the undersigned, St. Clair, in trust for the Beneficiary;

3. St. Clair for itself, its successors and assigns, will convey, transfer and deal with or dispose of the Lands and any income or capital paid in respect thereof, and any other benefits howsoever appertaining thereto in accordance with the direction of the Beneficiary.

IN WITNESS WHEREOF St. Clair has hereto set its seal under its proper officer duly authorized in that behalf.

DATED at Toronto, this 11th day of December, 2015.

URBANCORP (ST. CLAIR VILLAGE) INC.

Per:_____
Alan Saskin
President
I have the authority to bind the Corporation

THE Beneficiary hereby agrees to the terms of the above-noted trust.

IN WITNESS WHEREOF the Beneficiary has hereunto set its hand and seal.

DATED at Toronto, this 11th day of December, 2015.

URBANCORP CUMBERLAND 1 LP
by its General Partner
URBANCORP CUMBERLAND 1 GP INC.

Per:_____
Alan Saskin
President
I have the authority to bind the Corporation

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This is Exhibit "F" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.

A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

DECLARATION OF TRUST

WHEREAS URBANCORP (LAWRENCE) INC. ("Lawrence") is the registered owner of the property known municipally as 1780 Lawrence Avenue West, Toronto and legally described as Part Block A, Plan 2525 North York, City of Toronto (the "Lands");

AND WHEREAS Lawrence will now become the owner of the Lands for and on behalf of Urbancopr Cumberland 1 LP (the "Beneficiary");

NOW THEREFORE WITNESSETH that in consideration of the payment of TWO ($2.00) DOLLARS now paid to Lawrence by the Beneficiary, Lawrence does hereby declare for itself, its successors and assigns that from and after the date hereof:

1. all obligations, including mortgage obligations, contracts, agreements, responsibilities, acts or omissions pertaining to the Lands from this date and thereafter during the time it will be vested in the name of Lawrence, will be performed or omitted to be performed by the Beneficiary;

2. the Lands and all monies which may be payable in respect of the Lands, whether by way of rents, dividends or capital distributions or otherwise howsoever and all the benefits pertaining to the Lands are or will be held by the undersigned, Lawrence, in trust for the Beneficiary;

3. Lawrence for itself, its successors and assigns, will convey, transfer and deal with or dispose of the Lands and any income or capital paid in respect thereof, and any other benefits howsoever appertaining thereto in accordance with the direction of the Beneficiary.

IN WITNESS WHEREOF Lawrence has hereto set its seal under its proper officer duly authorized in that behalf.

DATED at Toronto, this 11th day of December, 2015.

URBANCORP (LAWRENCE) INC.

Per:_____
Alan Saskin
President
I have the authority to bind the Corporation

THE Beneficiary hereby agrees to the terms of the above-noted trust.

IN WITNESS WHEREOF the Beneficiary has hereunto set its hand and seal.

DATED at Toronto, this 11th day of December, 2015.

URBANCORP CUMBERLAND 1 LP
by its General Partner
URBANCORP CUMBERLAND 1 GP INC.

Per:_____
Alan Saskin
President
I have the authority to bind the Corporation

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This is Exhibit "G" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.

A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

H

DECLARATION OF TRUST

WHEREAS URBANCORP (MALLOW) INC. ("Mallow") is the registered owner of the property known municipally as 15 Mallow Road and legally described as Block C, Plan 4544 (North York), City of Toronto (the "Lands");

AND WHEREAS Mallow will now become the owner of the Lands for and on behalf of Urbancorp Cumberland 1 LP (the "Beneficiary");

NOW THEREFORE WITNESSETH that in consideration of the payment of TWO ($2.00) DOLLARS now paid to Mallow by the Beneficiary, Mallow does hereby declare for itself, its successors and assigns that from and after the date hereof:

1. all obligations, including mortgage obligations, contracts, agreements, responsibilities, acts or omissions pertaining to the Lands from this date and thereafter during the time it will be vested in the name of Mallow, will be performed or omitted to be performed by the Beneficiary;

2. the Lands and all monies which may be payable in respect of the Lands, whether by way of rents, dividends or capital distributions or otherwise howsoever and all the benefits pertaining to the Lands are or will be held by the undersigned, Mallow, in trust for the Beneficiary;

3. Mallow for itself, its successors and assigns, will convey, transfer and deal with or dispose of the Lands and any income or capital paid in respect thereof, and any other benefits howsoever appertaining thereto in accordance with the direction of the Beneficiary.

IN WITNESS WHEREOF Mallow has hereto set its seal under its proper officer duly authorized in that behalf.

DATED at Toronto, this 11th day of December, 2015.

URBANCORP (MALLOW) INC.

Per: _____
Alan Saskin
President
I have the authority to bind the Corporation

THE Beneficiary hereby agrees to the terms of the above-noted trust.

IN WITNESS WHEREOF the Beneficiary has hereunto set its hand and seal.

DATED at Toronto, this 11th day of December, 2015.

URBANCORP CUMBERLAND 1 LP
by its General Partner
URBANCORP CUMBERLAND 1 GP INC.

Per: _____
Alan Saskin
President
I have the authority to bind the Corporation

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This is Exhibit "H" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.

A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

I

DECLARATION OF TRUST

WHEREAS URBANCORP (PATRICIA) INC. ("Patricia") is the registered owner of the property known municipally as 425 Patricia Avenue, Toronto and legally described as Part 1 on Plan 66R-27390, City of Toronto (the "Lands");

AND WHEREAS Patricia will after the date hereof become the owner of the Lands for and on behalf of Urbancorp Cumberland 1 LP (the "Beneficiary");

NOW THEREFORE WITNESSETH that in consideration of the payment of TWO ($2.00) DOLLARS now paid to Patricia by the Beneficiary, Patricia does hereby declare for itself, its successors and assigns that from and after the date hereof:

1. all obligations, including mortgage obligations, contracts, agreements, responsibilities, acts or omissions pertaining to the Lands from this date and thereafter during the time it will be vested in the name of Patricia, will be performed or omitted to be performed by the Beneficiary;

2. the Lands and all monies which may be payable in respect of the Lands, whether by way of rents, dividends or capital distributions or otherwise howsoever and all the benefits pertaining to the Lands are or will be held by the undersigned, Patricia, in trust for the Beneficiary;

3. Patricia for itself, its successors and assigns, will convey, transfer and deal with or dispose of the Lands and any income or capital paid in respect thereof, and any other benefits howsoever appertaining thereto in accordance with the direction of the Beneficiary.

IN WITNESS WHEREOF Patricia has hereto set its seal under its proper officer duly authorized in that behalf.

DATED at Toronto, this 11th day of December, 2015.

URBANCORP (PATRICIA) INC.

Per:_____
Alan Saskin
President
I have the authority to bind the Corporation

THE Beneficiary hereby agrees to the terms of the above-noted trust.

IN WITNESS WHEREOF the Beneficiary has hereunto set its hand and seal.

DATED at Toronto, this 11th day of December, 2015.

URBANCORP CUMBERLAND 1 LP
by its General Partner
URBANCORP CUMBERLAND 1 GP INC.

Per:_____
Alan Saskin
President
I have the authority to bind the Corporation

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This is Exhibit "I" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.

A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

J

Request ID: 018950293
Transaction ID: 61095560
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2016/05/12
Time Report Produced: 14:45:33
Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2471774	URBANCORP INC.	2015/06/19

Jurisdiction	Former Jurisdiction
ONTARIO	NOT APPLICABLE

Corporation Type	Corporation Status
ONTARIO BUSINESS CORP.	ACTIVE

Registered Office Address

120 LYNN WILLIAMS STREET

Suite # 2A
TORONTO
ONTARIO
CANADA M6K 3P6

Mailing Address

120 LYNN WILLIAMS STREET

Suite # 2A
TORONTO
ONTARIO
CANADA M6K 3P6

Date Amalgamated	Amalgamation Ind.
NOT APPLICABLE	NOT APPLICABLE

New Amal. Number	Notice Date
NOT APPLICABLE	NOT APPLICABLE

Letter Date
NOT APPLICABLE

Revival Date	Continuation Date
NOT APPLICABLE	NOT APPLICABLE

Transferred Out Date	Cancel/Inactive Date
NOT APPLICABLE	NOT APPLICABLE

EP Licence Eff.Date	EP Licence Term.Date
NOT APPLICABLE	NOT APPLICABLE

Number of Directors Minimum	Number of Directors Maximum	Date Commenced in Ontario	Date Ceased in Ontario
00001	00010	NOT APPLICABLE	NOT APPLICABLE

Activity Classification

NOT AVAILABLE

This is Exhibit "J" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.

A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

CORPORATION PROFILE REPORT

Ontario Corp Number

2471774

Corporation Name

URBANCORP INC.

Corporate Name History

URBANCORP INC.

Effective Date

2015/06/19

Current Business Name(s) Exist: NO

Expired Business Name(s) Exist: NO

Administrator:
Name (Individual / Corporation)

ALAN

SASKIN

Address

120 LYNN WILLIAMS STREET

Suite # 2A
TORONTO
ONTARIO
CANADA M6K 3P6

Date Began	First Director	
2015/06/19	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	CHAIRMAN	

CORPORATION PROFILE REPORT

Ontario Corp Number

2471774

Corporation Name

URBANCORP INC.

Administrator:
Name (Individual / Corporation)

ALAN

SASKIN

Address

120 LYNN WILLIAMS STREET

Suite # 2A
TORONTO
ONTARIO
CANADA M6K 3P6

Date Began

2015/06/19

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

CHIEF EXECUTIVE OFFICER

Resident Canadian

Name (Individual / Corporation)

ALAN

SASKIN

Administrator:
Address

120 LYNN WILLIAMS STREET

Suite # 2A
TORONTO
ONTARIO
CANADA M6K 3P6

Date Began

2015/06/19

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

CORPORATION PROFILE REPORT

Ontario Corp Number

2471774

Corporation Name

URBANCORP INC.

Administrator:
Name (Individual / Corporation)

ALAN

SASKIN

Address

120 LYNN WILLIAMS STREET

Suite # 2A
TORONTO
ONTARIO
CANADA M6K 3P6

Date Began	First Director	
2015/06/19	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	PRESIDENT	Y

Administrator:
Name (Individual / Corporation)

ALAN

SASKIN

Address

120 LYNN WILLIAMS STREET

Suite # 2A
TORONTO
ONTARIO
CANADA M6K 3P6

Date Began	First Director	
2016/01/20	NOT APPLICABLE	
Designation	**Officer Type**	**Resident Canadian**
OFFICER	SECRETARY	Y

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2471774	URBANCORP INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	CHANGE NOTICE	1	2016/05/12 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

CORPORATION DOCUMENT LIST

Ontario Corporation Number
2471774

Corporation Name
URBANCORP INC.

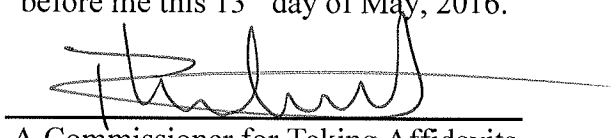
ACT/CODE	DESCRIPTION	FORM	DATE (YY/MM/DD)	
CIA	CHANGE NOTICE PAF: SASKIN, ALAN	1	2016/05/12	(ELECTRONIC FILING)
CIA	CHANGE NOTICE PAF: SASKIN, ALAN	1	2016/02/10	(ELECTRONIC FILING)
CIA	CHANGE NOTICE PAF: SASKIN, ALAN	1	2016/02/01	(ELECTRONIC FILING)
CIA	CHANGE NOTICE PAF: ROTENBERG, BARRY	1	2015/12/14	(ELECTRONIC FILING)
CIA	INITIAL RETURN PAF: ROTENBERG, BARRY	1	2015/12/14	(ELECTRONIC FILING)
CIA	CHANGE NOTICE PAF: SASKIN, ALAN	1	2015/06/25	(ELECTRONIC FILING)
CIA	INITIAL RETURN PAF: SASKIN, ALAN	1	2015/06/24	(ELECTRONIC FILING)
BCA	ARTICLES OF INCORPORATION	1	2015/06/19	(ELECTRONIC FILING)

THIS REPORT SETS OUT ALL DOCUMENTS FOR THE ABOVE CORPORATION WHICH HAVE BEEN FILED ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

ALL "PAF" (PERSON AUTHORIZING FILING) INFORMATION IS DISPLAYED EXACTLY AS RECORDED IN ONBIS. WHERE PAF IS NOT SHOWN AGAINST A DOCUMENT, THE INFORMATION HAS NOT BEEN RECORDED IN THE ONBIS DATABASE.

K

This is Exhibit "K" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.



A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

Loan Agreement

Conducted and signed in Toronto, Canada, on the 21st day of December, 2015

Between: **Urbancorp Inc.**

A 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

Tel: (416) 928-5001

Facsimile: (416) 928-9501

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

On the one hand;

And between: **URBANCORP DOWNSVIEW PARK DEVELOPMENT INC.**

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

120 Lynn Williams Street, Suite 2A, Toronto Canada

Tel: (416) 928-5001

Facsimile: (416) 928-9501

(hereinafter: the "**Subsidiary**")

On the other hand;

(The Company and the Subsidiary shall be hereinafter jointly referred to as: the "**Parties**")

WHEREAS: On 30th of November, 2015, the Company published a supplementary prospectus, as amended on December 7, 2015, and supplementary notice published on December 8, 2015 (hereinafter: the "**Prospectus**"), within which the Company offered to the public debentures (series A) par value NIS 1 each (hereinafter: the "**Debentures**") at a price of NIS 1 per Debenture and under the terms as set forth The Deed of Trust (as defined below); and

WHEREAS: Pursuant to the results of the issuance under the Prospectus, the Company issued on 10th of December, 2015, NIS 180,583,000 par value of Debentures; and

WHEREAS: The Company has decided to provide an amount of CAD $10,094,562 Million (out of The Maximum Owners Loan Amount) as a loan to the Subsidiary with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures, and that will be repaid two business days prior to the final repayment date of the principal of the Debentures (hereinafter: the "**Owners Loan**"), all such that the Company shall repay the debt to the Debentures Holders, inter alia, through a repayment of the Owners Loan; and

WHEREAS: The Owners Loan shall be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project, as set forth in the Prospectus and the Deed of Trust; and

WHEREAS: The Subsidiary wishes that the Company provide it with the Owners Loan, and the parties wish to set forth the terms of the Owners Loan and payment dates, all pursuant to the terms and conditions set forth in this Agreement;

Therefore, it is declared, stipulated and agreed between the parties as follows:

1. **Preambles, Titles and Appendices**

1.1. The Preamble to this Agreement and the appendices attached hereto constitute integral parts hereof.

1.2. The titles of the sections in this Agreement are provided for the sake of conciseness alone, and shall not be used for the sake of interpretation.

2. **Definitions**

2.1. **"Business Day"**	A day on which, the banks in Israel and Canada are open for the performance of transactions in foreign currency.
2.2. **"Debenture Holders"**	Each holder of the Debentures, whose name a debenture is registered with a Stock Exchange member or whose name is registered with the Company's register of debenture holders.
2.3. **"Dedicated Account"**	An account in the name of the Company, held in the State of Israel, number 136001795 in branch 100 at Israel Discount Bank Ltd., for which the signatory rights shall be joint between the Company and the Trustee. The full rights of the Company in the account will be pledged in favor of the Trustee, as set forth in section 6.4 to the Deed of Trust.
2.4. **"Mattamy"**	Downsview Park Management Inc. who are the Development Manager of the Backup Project.
2.5. **"Nominee Company"**	Mizrahi Tefahot Bank Registration Company Ltd. or any substitute nominee company.
2.6. **"Stock Exchange"**	The Tel-Aviv Stock Exchange Ltd.
2.7. **"Surplus"**	The funds which the Subsidiary will be entitled to receive, in practice, in respect of the Backup Project 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 Backup Project, with respect to that Backup Project, the Surplus will include Working Capital (as defined below), which the Company and/or the Subsidiary provided and/or will provide in favor of the Backup Project, and earnings derived thereto from the Backup Project. The Surplus will not include Permitted Amounts . "Permitted Amounts" – means funds designated for compulsory payments, including payments of taxes and levies: payments to service providers, suppliers or subcontractors, which will provide the Subsidiary or the Backup Project with services in respect of the Backup Project: undertakings to the purchasers of units in the Backup Project: management fees and project overheads which will be paid with respect to the Backup Project, except for pending and future expenses which are required to be held as a reserve, all in accordance with the budget of the project which . In addition, the Surplus will include all funds which will be due to the Company and/or the Subsidiary in the event of the sale of the company's share of the Backup Project, partly or wholly, except for the amounts required for the payment of the company's share in all debts to the lenders financing the Backup Project, with respect to that Backup Project, plus the Permitted Amounts. In this regard it should be clarified that the Company and/or the Subsidiary will be permitted, at any time, at their sole discretion, without obtaining the approval of the Trustee and/or the Debentures Holders to sell the company's share in the Backup Project, provided that the proceeds due to the Company will be transferred to the Designated Account.

2.8. **"The Backup Project"** Blocks 30, 31, 34, 35, 37,38, 39, 41, 42, 43 and 44, Plan 66M-2520

This 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 square feet, of which 473 residential units with a total saleable floor area of 367,166 square feet

to be the development portion of this project, which would be classified as development property under planning.

Phase I of the project comprised 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.

Lot 1 to 29 both inclusive, Plan 66M-2520

This 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

2.9. **"The Deed of Trust"** — The Deed of Trust which was signed between the Company and the Trustee dated December 7th 2015, attached as **Appendix A** to this Agreement.

2.10. **"The Maximum Owners Loan Amount"** — CAD 46 Million.

2.11. **"The Repayment Interest"** — The unpaid balance of the principal of the loan shall bear fixed annual interest at the interest rate borne by the Debentures, as it may be from time to time, including regarding arrears interest, as applicable, and additional interest for certain events set forth in the Deed of Trust.

Initially this rate is 8.15% per annum and subject to change in accordance with Sections 5.2 and 5.3 of the Deed of Trust.

It being understood and agreed that if the interest rate due pursuant to the Debenture increases or otherwise changes in accordance with Section 5.2 or 5.3 of the Deed of Trust and section 4(a) to the first schedule of the Deed of Trust, the interest rate pursuant to the Owners Loan shall change accordingly and on the same date or dates, but shall not be less than 8.15% per annum.

2.12. **"Working capital"** — In this matter: the funds invested by the Company and/or the Subsidiary in the Backup Project, whether by way of a loan (including the Owners Loan) or by way of a capital investment.

2.13. **The "Trustee"** — Reznik Paz Nevo Trusts Ltd.

3. **The Loan**

3.1. It is hereby agreed that no later than three business days after the receipt of the Trustee's confirmation for such in accordance with provision 6.8 to the Deed of Trust, the Company shall provide the Subsidiary the Owners Loan in the total amount of CAD $ 10,094,562.00 (hereinafter: the "**Principal of the Loan**").

3.2. The Owners Loans will be provided to the Subsidiary 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.

3.3. Uses. Owners Loan funds will be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project.

3.4. Interest, Principal Payments. The terms of interest and arrears interest (if any) shall be identical to the terms of the Debentures. Meaning, for each CAD 1 of the Principal of the Loan, a total of CAD 1 plus the Repayment Interest will be repaid (hereinafter: the "Repayment **Amount**"). The Repayment Amount (principal and interest) will be repaid on _2_ two business days prior to the final repayment date of the principal of the Debentures ("The Maturity Date of the Owners Loan"), currently December 2019, subject to Section 4.2 below.

3.5. The Subsidiary, through Mattamy, will transfer all payments in connection with Owners Loan directly into the Dedicated Account and/or directly to the Nominee Company, for the purpose of repayments to the Debenture Holders.

3.6. Early Redemption. The Subsidiary is entitled to repay amounts, by early redemption, into the Dedicated Account, on account of the Owners Loan.

3.7. The Subsidiary shall not be entitled to withhold and/or offset any amount of their debt pursuant to this Agreement against any debt or liability of any kind of the Company to the Subsidiary.

3.8. 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 3 alone.

3.9. The Company and the Subsidiary undertake not to perform any change to this Agreement, including to the terms of the repayment of the Owners Loan and/or to forgive or in any way release or compromise the Owners Loan in whole or in part and/or convert the Owners Loan to other rights, other than 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.

3.10. The Company may increase the Owners Loan provided that the total of all Owners Loans to the Backup Projects shall not exceed the Maximum Owners Loan Amount.

4. Representations and Warranties of the Subsidiary

The Subsidiary declares, represents and warrants as follows:

4.1. The Subsidiary is aware that all the rights and interests of the Company pursuant to this Agreement will be pledged in favor of the Trustee on behalf of the Debentures Holders, with a fixed, exclusive first lien, unlimited in amount, for as long as the Debentures have not been repaid in full by the Company, and in accordance with the terms of the Deed of Trust.

4.2. The Subsidiary undertakes 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.

4.3. The repayment of the Owners Loan to the Company by the Subsidiary is subject to the repayment conditions of the Debentures by the Company (excluding The Maturity Date of the Owners Loan), including in the case of immediate repayment of the Debentures demanded by the Trustee or the Debentures holders and/or early repayment required following the deleting from trade of the Debentures by of the Stock Exchange, all subject and the Deed of Trust it being understood and agreed that if the debentures become due and payable in full in accordance with the terms of the Deed of Trust, the Owners Loan shall become due and payable.

4.4. The Subsidiary is aware of the grounds for calling for immediate repayment of the Debentures, including that non-compliance of the Company with the payment dates of the Debentures constitutes grounds as stated, and the Subsidiary undertakes to refrain from performance of any action which may place the Company in a situation constituting grounds for immediate repayment, including non-compliance with the repayment dates of the Owners Loan, set forth in this Agreement, in order to allow the Company to meet the repayment dates of the Debentures.

4.5. the Subsidiary undertakes that any amounts which it will be entitled to withdraw as Surplus will first be used to repay Owners Loan and accordingly if the date on which the Subsidiary will be entitled to withdraw the Surplus, in part or in full, including Backup Project profits is prior to the Maturity Date of the Owners Loan, the Subsidiary will implement an early redemption of the Owners Loan in the full amount it is entitled to withdraw.

4.6. On the date of the signing of this Agreement the Subsidiary (and/or companies under its control) is 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 the Subsidiary (and/or companies under its control) and the Subsidiary is not aware of any threat of applying or taking such actions. In addition, the Subsidiary declares that it (and/or companies under its control) have not passed a resolution of liquidation.

4.7. The Subsidiary undertakes to cause that as part of the financing loans to be assumed by the Subsidiary (and/or companies under its control) in the Backup Project, the lenders financing the Backup Project have not and will not be awarded the right to offset in connection with the properties and/or other accounts and no cross lien of any kind or type whatsoever will be given with respect to the properties that are under the Subsidiary (and/or companies under its control).

5. **Indemnification**

Without derogating from any remedy and/or relief and/or other or additional right granted to the Company under this Agreement and any law, the Subsidiary undertakes to indemnify the Company for any damage and/or cost caused to the Company for any event of a delay in the repayment of the Repayment Amount to the Company as stated in Section 3 above and/or a delay in the repayment of the Owners Loan, if required pursuant to the terms of the Prospectus and the Deed of Trust. The amount of the indemnification shall be the cost of damage caused to the Company pursuant to the terms specified in the Prospectus, the Deed of Trust and the remedies available to the Debentures Holders from the Company. All such indemnification will be paid directly to the Dedicated Account or to the trustee's account in compliance with the provisions of clause 4.2 above.

6. **Miscellaneous**

6.1. The parties may not assign their rights and/or liabilities under this Agreement without the prior written consent of the other party to this Agreement and of an assembly of the Debentures Holders.

6.2. The parties will take all of the additional measures, including signing the additional documents required for the application and performance of this Agreement in letter and in spirit.

6.3. In any event where any party does not use any right granted thereto under this Agreement or under any law, the matter shall not be considered a waiver on its part of the same right, and the party may again use these rights. The breaching party may not claim a delay or waiver.

6.4. The terms of this Agreement include all of the stipulations and agreements between the parties, and govern over the engagements, consents, representations and warranties which preceded the signature of this Agreement, and which were conducted in writing or orally.

6.5. Any change and/or termination of any of the provisions of this Agreement shall occur solely through a written document, which shall be signed by all of the parties. Any change to this Agreement and/or the termination thereof shall be subject to the consent of an assembly of the Debentures Holders or the approval of the Trustee, if there is no change to the above, in order to harm the rights of the Debentures Holders.

6.6. The addresses of the sections to this Agreement are as written in the Preamble hereto. Any notice sent via registered mail based on one of the addresses above shall be considered to have arrived within 72 hours from dispatch, and if delivered by hand, upon delivery thereof.

6.7. This Agreement shall be construed in accordance with the laws of the Province of Ontario.

6.8. Time is and shall continue to be of the essence of this Agreement.

6.9. This Agreement constitutes the entire agreement between the parties and may not be amended in any manner except by written instrument signed by both of them.

6.10. This Agreement supersedes all previous agreements entered into between the parties.

In witness whereof, the parties affix their signatures:

Urbancorp Inc.

Per:_____

Alan Saskin

President

I have the authority to bind the Corporation

Urbancorp Downsview Park Development Inc.

Per:_____

Alan Saskin

President

I have the authority to bind the Corporation

Appendix A

The Deed of Trust (Hebrew) and a translated copy of the Deed of Trust (English)

L

Request ID:	018950319	Province of Ontario		Date Report Produced:	2016/05/12
Transaction ID:	61095620	Ministry of Government Services		Time Report Produced:	14:49:22
Category ID:	UN/E			Page:	1

This is Exhibit "L" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.

A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

LIMITED PARTNERSHIPS REPORT

Firm name registered under the *Limited Partnerships Act*

URBANCORP CUMBERLAND 1 LP

Business Identification Number

250646783

Business Type

LIMITED PARTNERSHIP

Mailing Address

120 LYNN WILLIAMS STREET

No. 2A
TORONTO
ONTARIO
CANADA, M6K 3P6

Address of Principal Place of Business in Ontario

120 LYNN WILLIAMS STREET

No. 2A
TORONTO
ONTARIO
CANADA, M6K 3P6

General Nature of Business

REAL ESTATE DEVELOPMENT

Jurisdiction of Formation

ONTARIO

Declaration Date

2015/06/26

Expiry Date

2020/06/25

Renewal Date

NOT APPLICABLE

Change Date(s)

NOT APPLICABLE

Last Document Filed

NEW DECLARATION

Dissolution/Withdrawal Date

NOT APPLICABLE

Last Document Filed Date

2015/06/26

Current Partnership Business Names Exist:

NO

Expired Partnership Business Names Exist:

NO

Former Names

NOT APPLICABLE

Date of Name Change

LIMITED PARTNERSHIPS REPORT

Firm name registered under the *Limited Partnerships Act*

URBANCORP CUMBERLAND 1 LP

Business Identification Number

250646783

Business Type

LIMITED PARTNERSHIP

Information Regarding General Partner(s)

Name (Individual/Corporation/Other)

URBANCORP CUMBERLAND 1 GP INC.

Corporate Number: 2471809

Address

120 LYNN WILLIAMS STREET

No. 2A
TORONTO
ONTARIO
CANADA, M6K 3P6

Name of Signatory

SASKIN, ALAN

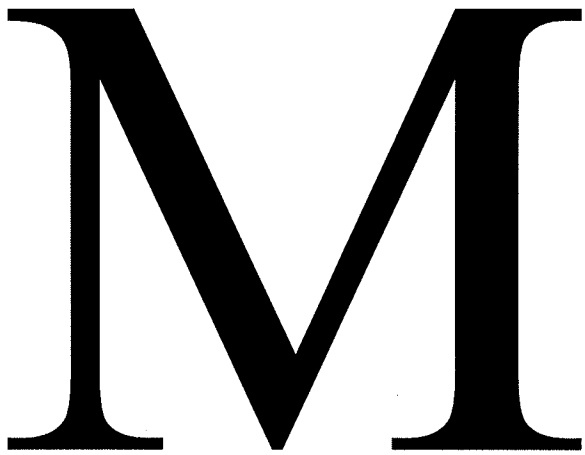
Power of Attorney

NO

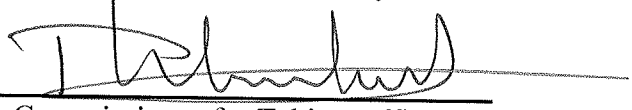
Former Limited Partnership Names will only be displayed for Declarations registered on or after April 1, 1994.

This Report sets out the most recent information registered on or after April 1, 1994 and recorded in the Ontario Business Information System as of the last business day.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.



This is Exhibit "M" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.



A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

Loan Agreement

Conducted and signed in Toronto, Ontario, on the 21st day of December, 2015

Between: **Urbancorp Inc.**

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

120 Lynn Williams Street, Suite 2A, Toronto Canada

Tel: (416) 928-5001

Facsimile: (416) 928-9501

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

On the one hand;

And between: **Urbancorp (St. Clair Village) Inc.**

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

120 Lynn Williams Street, Suite 2A, Toronto Canada

Tel: (416) 928-5001

Facsimile: (416) 928-9501

(hereinafter: the "**Subsidiary**")

On the other hand;

(The Company and the Subsidiary shall be hereinafter jointly referred to as: the "**Parties**")

WHEREAS: On 30th of November, 2015, the Company published a supplementary prospectus, as amended on December 7, 2015, and supplementary notice published on December 8, 2015 (hereinafter: the "**Prospectus**"), within which the Company offered to the public debentures (series A) par value NIS 1 each (hereinafter: the "**Debentures**") under the terms as set forth in The Deed of Trust (as defined below); and

WHEREAS: Pursuant to the results of the issuance under the Prospectus, the Company issued on 10th of December, 2015, NIS 180,583,000 par value of Debentures; and

WHEREAS: The Company has decided to provide an amount of CAD $ 7,688,690 Million (out of The Maximum Owners Loan Amount) as a loan to the Subsidiary with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures, and that will be repaid on (2) two business days prior to the final repayment date of the principal of the Debentures (hereinafter: the "**Owners Loan**"), all such that the Company shall repay the debt to the Debentures Holders, inter alia, through a repayment of the Owners Loan; and

WHEREAS: The Owners Loan shall be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project, as set forth in the Prospectus and the Deed of Trust; and

WHEREAS: The Subsidiary wishes that the Company provide it with the Owners Loan, and the parties wish to set forth the terms of the Owners Loan and payment dates, all pursuant to the terms and conditions set forth in this Agreement;

Therefore, it is declared, stipulated and agreed between the parties as follows:

1. **Preambles, Titles and Appendices**

1.1. The Preamble to this Agreement and the appendices attached hereto constitute integral parts hereof.

1.2. The titles of the sections in this Agreement are provided for the sake of conciseness alone, and shall not be used for the sake of interpretation.

2. **Definitions**

2.1. **"Business Day"**	A day on which, the banks in Israel and Canada are open for the performance of transactions in foreign currency.
2.2. **"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 Subsidiary on their behalf that is recognized as a leading law firm in the field of real estate in the Province of Ontario, Canada. The Canadian Legal Counsel will be appointed by the parties as the Trustee for receiving all of the revenue for the housing units (deposits and final payment) in connection with any of the Backup 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.
2.3. **"Dedicated Account"**	An account in the name of the Company, held in the State of Israel, number 13600179 in branch 100 at Israel Discount Bank Ltd., for which the signatory rights shall be joint between the Company and the Trustee. The full rights of the Company in the account will be pledged in

favor of the Trustee, as set forth in section 6.4 to the Deed of Trust.

2.4. **"Nominee Company"** Mizrahi Tefahot Bank Registration Company Ltd. or any substitute nominee company.

2.5. **"Stock Exchange"** The Tel-Aviv Stock Exchange Ltd.

2.6. **"Surplus"** The funds which the Subsidiary will be entitled to receive, in practice, in respect of the Backup Project 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 Backup Project, with respect to that Backup Project, the Surplus will include Working Capital (as defined below), which the Company and/or the Subsidiary provided and/or will provide in favor of the Backup Project, and earnings derived thereto from the Backup Project. The Surplus will not include Permitted Amounts . "Permitted Amounts" – means funds designated for compulsory payments, including payments of taxes and levies; payments to service providers, suppliers or subcontractors, which will provide the Subsidiary with services in respect of the Backup Project; undertakings to the purchasers of units in the Backup Project; management fees and project overheads which will be paid by the Subsidiary, except for pending and future expenses which in the reasonable opinion of the Inspector (as defined above) are required to be held as a reserve, all in accordance with the budget of the project which will be administered by the Inspector. In addition, the Surplus will include all funds which will be due to the Company and/or the Subsidiary in the event of the sale of the Backup Project, partly or wholly, except for the amounts required for the payment of all debts to the lenders financing the Backup Project, with respect to that Backup Project, plus the Permitted Amounts. In this regard it should be clarified that the Company and/or the Subsidiary will be permitted, at any time, at their sole discretion, without obtaining the approval of the Trustee and/or the Debentures

	Holders to sell the Backup Project, provided that the proceeds due to the Company will be transferred to the Designated Account.
2.7. **"The Backup Project"**	19 Innes Avenue and 177 Caledonia Road, Toronto St. Clair Village is a development project under planning. The project consists of 41 residential semi-detached townhouses with an area of 118,300 square feet
2.8. **"The Deed of Trust"**	The Deed of Trust which was signed between the Company and the Trustee dated December 7th 2015, attached as **Appendix A** to this Agreement.
2.9. **"The Maximum Owners Loan Amount"**	CAD 46 Million.
2.10. **"The Repayment Interest"**	The unpaid balance of the principal of the loan shall bear fixed annual interest at the interest rate borne by the Debentures, as it may be from time to time, including regarding arrears interest, as applicable, and additional interest for certain events set forth in the Deed of Trust. Initially this rate is 8.15% per annum and subject to change in accordance with Sections 5.2 and 5.3 of the Deed of Trust. It being understood and agreed that if the interest rate due pursuant to the Debenture increases or otherwise changes in accordance with Section 5.2 or 5.3 of the Deed of Trust and section 4(a) to the first schedule of the Deed of Trust , the interest rate pursuant to the Owners Loan shall change accordingly and on the same date or dates, but shall not be less than 8.15% per annum.
2.11. **"Working capital"**	In this matter: the funds invested by the Company and/or the Subsidiary in the Backup Project, whether by way of a loan (including the Owners Loan) or by way of a capital investment.
2.12. **The "Trustee"**	Reznik Paz Nevo Trusts Ltd.

3. **The Loan**

3.1. It is hereby agreed that no later than three business days after the receipt of the Trustee's confirmation for such in accordance with provision 6.8 to the Deed of Trust, the Company shall provide the Subsidiary the Owners Loan in the total amount of CAD $7,688,690 (hereinafter: the "**Principal of the Loan**").

3.2. The Owners Loans will be provided to the Subsidiary by the Company with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures.

3.3. Uses. Owners Loan funds will be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project.

3.4. Interest, Principal Payments. The terms of interest and arrears interest (if any) shall be identical to the terms of the Debentures. Meaning, for each CAD 1 of the Principal of the Loan, a total of CAD 1 plus the Repayment Interest will be repaid (hereinafter: the "Repayment **Amount**"). The Repayment Amount (principal and interest) will be repaid on (2) two business days prior to the final repayment date of the principal of the Debentures ("The Maturity Date of the Owners Loan"), currently December 2019, subject to Section 4.2 below.

3.5. The Subsidiary, through the Canadian Legal Counsel, will transfer all payments in connection with Owners Loan directly into the Dedicated Account and/or directly to the Nominee Company, for the purpose of repayments to the Debenture Holders.

3.6. Early Redemption. The Subsidiary is entitled to repay amounts, by early redemption, into the Dedicated Account, on account of the Owners Loan.

3.7. The Subsidiary shall not be entitled to withhold and/or offset any amount of their debt pursuant to this Agreement against any debt or liability of the Company of any kind to the Subsidiary.

3.8. 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 3 alone.

3.9. The Company and the Subsidiary undertake not to perform any change to this Agreement, including to the terms of the repayment of the Owners Loan and/or to forgive or in any way release or compromise the Owners Loan in whole or in part and/or convert the Owners Loan to other rights, other than 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.

3.10. The Company may increase the Owners Loan provided that the total of all Owners Loans to the Backup Projects shall not exceed the Maximum Owners Loan Amount.

4. Representations and Warranties of the Subsidiary

The Subsidiary declares, represents and warrants as follows:

4.1. The Subsidiary is aware that all the rights and interests of the Company pursuant to this Agreement will be pledged in favor of the Trustee on behalf of the Debentures Holders, with a fixed, exclusive first lien, unlimited in amount, for as long as the Debentures have not been repaid in full by the Company, and in accordance with the terms of the Deed of Trust.

4.2. The Subsidiary undertakes 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.

4.3. The repayment of the Owners Loan to the Company by the Subsidiary is subject to the repayment conditions of the Debentures by the Company (excluding The Maturity Date of the Owners Loan), including in the case of immediate repayment of the Debentures demanded by the Trustee or the Debentures holders and/or early repayment required following the deleting from trade of the Debentures by the Tel Aviv Stock Exchange, all subject to the Deed of Trust it being understood and agreed that if the debentures become due and payable in full in accordance with the terms of the Deed of Trust, the Owners Loan shall become due and payable.

4.4. The Subsidiary is aware of the grounds for calling for immediate repayment of the Debentures, including that non-compliance of the Company with the payment dates of the Debentures constitutes grounds as stated, and the Subsidiary undertakes to refrain from performance of any action which may place the Company in a situation constituting grounds for immediate repayment, including non-compliance with the repayment dates of the Owners Loan, set forth in this Agreement, in order to allow the Company to meet the repayment dates of the Debentures.

4.5. the Subsidiary undertakes that any amounts which it will be entitled to withdraw as Surplus will first be used to repay Owners Loan and accordingly if the date on which the Subsidiary will be entitled to withdraw the Surplus, in part or in full, including Backup Project profits is prior to the Maturity Date of the Owners Loan, the Subsidiary will implement an early redemption of the Owners Loan in the full amount it is entitled to withdraw.

4.6. On the date of the signing of this Agreement the Subsidiary (and/or companies under its control) is 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 the Subsidiary (and/or companies under its control) and the Subsidiary is not aware of any threat of applying or taking such actions. In addition, the Subsidiary declares that it (and/or companies under its control) have not passed a resolution of liquidation.

4.7. The Subsidiary undertakes to cause that as part of the financing loans to be assumed by the Subsidiary (and/or companies under its control) in the Backup Project, the lenders financing the Backup Project have not and will not be awarded the right to offset in connection with the properties and/or other accounts and no cross lien of any kind or type whatsoever will be given with respect to the properties that are under the Subsidiary (and/or companies under its control).

5. **Indemnification**

Without derogating from any remedy and/or relief and/or other or additional right granted to the Company under this Agreement and any law, the Subsidiary undertakes to indemnify the Company for any damage and/or cost caused to the Company for any event of a delay in the repayment of the Repayment Amount to the Company as stated in Section 3 above and/or a delay in the repayment of the Owners Loan, if required pursuant to the terms of the Prospectus and the Deed of Trust. The amount of the indemnification shall be the cost of damage caused to the Company pursuant to the terms specified in the Prospectus, the Deed of Trust and the remedies available to the Debentures Holders from the Company. All such indemnification will be paid directly to the Dedicated Account or to the trustee's account in compliance with the provisions of clause 4.2 above.

6. **Miscellaneous**

6.1. The parties may not assign their rights and/or liabilities under this Agreement without the prior written consent of the other party to this Agreement and of an assembly of the Debentures Holders.

6.2. The parties will take all of the additional measures, including signing the additional documents required for the application and performance of this Agreement in letter and in spirit.

6.3. In any event where any party does not use any right granted thereto under this Agreement or under any law, the matter shall not be considered a waiver on its part of the same right, and the party may again use these rights. The breaching party may not claim a delay or waiver.

6.4. The terms of this Agreement include all of the stipulations and agreements between the parties, and govern over the engagements, consents, representations and warranties which preceded the signature of this Agreement, and which were conducted in writing or orally.

6.5. Any change and/or termination of any of the provisions of this Agreement shall occur solely through a written document, which shall be signed by all of the parties. Any change to this Agreement and/or the termination thereof shall be subject to the consent of an assembly of the Debentures Holders or the approval of the Trustee, if there is no change to the above, in order to harm the rights of the Debentures Holders.

6.6. The addresses of the sections to this Agreement are as written in the Preamble hereto. Any notice sent via registered mail based on one of the addresses above shall be considered to have arrived within 72 hours from dispatch, and if delivered by hand, upon delivery thereof.

6.7. This Agreement shall be construed in accordance with the laws of the Province of Ontario.

6.8. Time is and shall continue to be of the essence of this Agreement.

6.9. This Agreement constitutes the entire agreement between the parties and may not be amended in any manner except by written instrument signed by both of them.

6.10. This Agreement supercedes all previous agreements entered into between the parties.

(BALANCE OF PAGE INTENTIONALLY LEFT BLANK – SIGNATURE PAGE TO FOLLOW)

In witness whereof, the parties affix their signatures:

Urbancorp Inc.

Per:_____

Alan Saskin

President

I have the authority to bind the Corporation

Urbancorp (St. Clair Village) Inc.

Per:_____

Alan Saskin

President

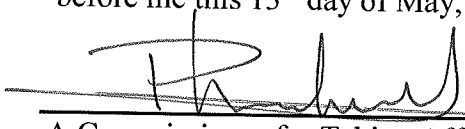
I have the authority to bind the corporation

Appendix A

The Deed of Trust (Hebrew) and a translated copy of the Deed of Trust (English)

N

This is Exhibit "N" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.



A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

Loan Agreement

Conducted and signed in Toronto, Canada, on the 21st day of December, 2015

Between: **Urbancorp Inc.**

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

120 Lynn Williams Street, Suite 2A, Toronto Canada

Tel: (416) 928-5001

Facsimile: (416) 928-9501

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

On the one hand;

And between: **Urbancorp (Patricia) Inc.**

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

120 Lynn Williams Street, Suite 2A, Toronto Canada

Tel: (416) 928-5001

Facsimile: (416) 928-9501

(hereinafter: the "**Subsidiary**")

On the other hand;

(The Company and the Subsidiary shall be hereinafter jointly referred to as: the "**Parties**")

WHEREAS: On 30th of November, 2015, the Company published a supplementary prospectus, as amended on December 7, 2015, and supplementary notice published on December 8, 2015 (hereinafter: the "**Prospectus**"), within which the Company offered to the public debentures (series A) par value NIS 1 each (hereinafter: the "**Debentures**") under the terms as set forth in The Deed of Trust (as defined below); and

WHEREAS: Pursuant to the results of the issuance under the Prospectus, the Company issued on 10th of December, 2015, NIS 180,583,000 par value of Debentures; and

WHEREAS: The Company has decided to provide an amount of CAD $ 9,881,072.00 Million (out of The Maximum Owners Loan Amount) as a loan to the Subsidiary with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures, and that will be repaid on (2) two business days prior to the final repayment date of the principal of the Debentures (hereinafter: the "**Owners Loan**"), all such that the Company shall repay the debt to the Debentures Holders, inter alia, through a repayment of the Owners Loan; and

WHEREAS: The Owners Loan shall be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project, as set forth in the Prospectus and the Deed of Trust; and

WHEREAS: The Subsidiary wishes that the Company provide it with the Owners Loan, and the parties wish to set forth the terms of the Owners Loan and payment dates, all pursuant to the terms and conditions set forth in this Agreement;

Therefore, it is declared, stipulated and agreed between the parties as follows:

1. **Preambles, Titles and Appendices**

1.1. The Preamble to this Agreement and the appendices attached hereto constitute integral parts hereof.

1.2. The titles of the sections in this Agreement are provided for the sake of conciseness alone, and shall not be used for the sake of interpretation.

2. **Definitions**

2.1.	**"Business Day"**	A day on which, the banks in Israel and Canada are open for the performance of transactions in foreign currency.
2.2.	**"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 Subsidiary on their behalf that is recognized as a leading law firm in the field of real estate in the Province of Ontario, Canada. The Canadian Legal Counsel will be appointed by the parties as the Trustee for receiving all of the revenue for the housing units (deposits and final payment) in connection with any of the Backup 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.
2.3.	**"Dedicated Account"**	An account in the name of the Company, held in the State of Israel, number 136001795 in branch

100 at Israel Discount Bank Ltd., for which the signatory rights shall be joint between the Company and the Trustee. The full rights of the Company in the account will be pledged in favor of the Trustee, as set forth in section 6.4 to the Deed of Trust.

2.4. **"Nominee Company"** Mizrahi Tefahot Bank Registration Company Ltd. or any substitute nominee company.

2.5. **"Stock Exchange"** The Tel-Aviv Stock Exchange Ltd.

2.6. **"Surplus"** The funds which the Subsidiary will be entitled to receive, in practice, in respect of the Backup Project 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 Backup Project, with respect to that Backup Project, the Surplus will include Working Capital (as defined below), which the Company and/or the Subsidiary provided and/or will provide in favor of the Backup Project, and earnings derived thereto from the Backup Project. The Surplus will not include Permitted Amounts . "Permitted Amounts" – means funds designated for compulsory payments, including payments of taxes and levies; payments to service providers, suppliers or subcontractors, which will provide the Subsidiary with services in respect of the Backup Project; undertakings to the purchasers of units in the Backup Project; management fees and project overheads which will be paid by the Subsidiary, except for pending and future expenses which in the reasonable opinion of the Inspector (as defined above) are required to be held as a reserve, all in accordance with the budget of the project which will be administered by the Inspector. In addition, the Surplus will include all funds which will be due to the Company and/or the Subsidiary in the event of the sale of the Backup Project, partly or wholly, except for the amounts required for the payment of all debts to the lenders financing the Backup Project, with respect to that Backup Project, plus the Permitted Amounts. In this regard it should be clarified that the Company and/or the

	Subsidiary will be permitted, at any time, at their sole discretion, without obtaining the approval of the Trustee and/or the Debentures Holders to sell the Backup Project, provided that the proceeds due to the Company will be transferred to the Designated Account.
2.7. **"The Backup Project"**	425 Patricia Avenue, Toronto Patricia is a development project consisting of 39 low-rise residential units with a total saleable area of 126,690 square feet (the project has a total land area of 119,361 square feet), to be classified as development property – land reserve
2.8. **"The Deed of Trust"**	The Deed of Trust which was signed between the Company and the Trustee dated December 7th 2015, attached as Appendix A to this Agreement.
2.9. **"The Maximum Owners Loan Amount"**	CAD 46 Million.
2.10. **"The Repayment Interest"**	The unpaid balance of the principal of the loan shall bear fixed annual interest at the interest rate borne by the Debentures, as it may be from time to time, including regarding arrears interest, as applicable, and additional interest for certain events set forth in the Deed of Trust. Initially this rate is 8.15% per annum and subject to change in accordance with Sections 5.2 and 5.3 of the Deed of Trust. It being understood and agreed that if the interest rate due pursuant to the Debenture increases or otherwise changes in accordance with Section 5.2 or 5.3 of the Deed of Trust and section 4(a) to the first schedule of the Deed of Trust , the interest rate pursuant to the Owners Loan shall change accordingly and on the same date or dates, but shall not be less than 8.15% per annum.
2.11. **"Working capital"**	In this matter: the funds invested by the Company and/or the Subsidiary in the Backup Project, whether by way of a loan (including the Owners Loan) or by way of a capital investment.
2.12. **The "Trustee"**	Reznik Paz Nevo Trusts Ltd.

3. **The Loan**

3.1. It is hereby agreed that no later than three business days after the receipt of the Trustee's confirmation for such in accordance with provision 6.8 to the Deed of Trust, the Company shall provide the Subsidiary the Owners Loan in the total amount of CAD $9,881,072.00 (hereinafter: the "**Principal of the Loan**").

3.2. The Owners Loans will be provided to the Subsidiary by the Company with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures.

3.3. Uses. Owners Loan funds will be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project.

3.4. Interest, Principal Payments. The terms of interest and arrears interest (if any) shall be identical to the terms of the Debentures. Meaning, for each CAD 1 of the Principal of the Loan, a total of CAD 1 plus the Repayment Interest will be repaid (hereinafter: the "Repayment **Amount**"). The Repayment Amount (principal and interest) will be repaid on (2) two business days prior to the final repayment date of the principal of the Debentures, (the "Maturity Date of the Owners Loan"), currently December 2019, subject to Section 4.2 below.

3.5. The Subsidiary, through the Canadian Legal Counsel, will transfer all payments in connection with Owners Loan directly into the Dedicated Account and/or directly to the Nominee Company, for the purpose of repayments to the Debenture Holders.

3.6. Early Redemption. The Subsidiary is entitled to repay amounts, by early redemption, into the Dedicated Account, on account of the Owners Loan.

3.7. The Subsidiary shall not be entitled to withhold and/or offset any amount of their debt pursuant to this Agreement against any debt or liability of the Company of any kind to the Subsidiary.

3.8. 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 3 alone.

3.9. The Company and the Subsidiary undertake not to perform any change to this Agreement, including to the terms of the repayment of the Owners Loan and/or to forgive or in any way release or compromise the Owners Loan in whole or in part and/or convert the Owners Loan to other rights, other than 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.

3.10. The Company may increase the Owners Loan provided that the total of all Owners Loans to the Backup Projects shall not exceed the Maximum Owners Loan Amount.

4. Representations and Warranties of the Subsidiary

The Subsidiary declares, represents and warrants as follows:

4.1. The Subsidiary is aware that all the rights and interests of the Company pursuant to this Agreement will be pledged in favor of the Trustee on behalf of the Debentures Holders, with a fixed, exclusive first lien, unlimited in amount, for as long as the Debentures have not been repaid in full by the Company, and in accordance with the terms of the Deed of Trust.

4.2. The Subsidiary undertakes 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.

4.3. The repayment of the Owners Loan to the Company by the Subsidiary is subject to the repayment conditions of the Debentures by the Company (excluding The Maturity Date of the Owners Loan), including in the case of immediate repayment of the Debentures demanded by the Trustee or the Debentures holders and/or early repayment required following the deleting from trade of the Debentures by the Tel Aviv Stock Exchange, all subject to the Deed of Trust it being understood and agreed that if the debentures become due and payable in full in accordance with the terms of the Deed of Trust, the Owners Loan shall become due and payable.

4.4. The Subsidiary is aware of the grounds for calling for immediate repayment of the Debentures, including that non-compliance of the Company with the payment dates of the Debentures constitutes grounds as stated, and the Subsidiary undertakes to refrain from performance of any action which may place the Company in a situation constituting grounds for immediate repayment, including non-compliance with the repayment dates of the Owners Loan, set forth in this Agreement, in order to allow the Company to meet the repayment dates of the Debentures.

4.5. the Subsidiary undertakes that any amounts which it will be entitled to withdraw as Surplus will first be used to repay Owners Loan and accordingly if the date on which the Subsidiary will be entitled to withdraw the Surplus, in part or in full, including Backup Project profits is prior to the Maturity Date of the Owners Loan, the Subsidiary will implement an early redemption of the Owners Loan in the full amount it is entitled to withdraw.

4.6. On the date of the signing of this Agreement the Subsidiary (and/or companies under its control) is 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 the Subsidiary (and/or companies under its control) and the Subsidiary is not aware of any threat of applying or taking such actions. In addition, the Subsidiary declares that it (and/or companies under its control) have not passed a resolution of liquidation.

4.7. The Subsidiary undertakes to cause that as part of the financing loans to be assumed by the Subsidiary (and/or companies under its control) in the Backup Project, the lenders financing the Backup Project have not and will not be awarded the right to offset in connection with the properties and/or other accounts and no cross lien of any kind or type whatsoever will be given with respect to the properties that are under the Subsidiary (and/or companies under its control).

5. **Indemnification**

Without derogating from any remedy and/or relief and/or other or additional right granted to the Company under this Agreement and any law, the Subsidiary undertakes to indemnify the Company for any damage and/or cost caused to the Company for any event of a delay in the repayment of the Repayment Amount to the Company as stated in Section 3 above and/or a delay in the repayment of the Owners Loan, if required pursuant to the terms of the Prospectus and the Deed of Trust. The amount of the indemnification shall be the cost of damage caused to the Company pursuant to the terms specified in the Prospectus, the Deed of Trust and the remedies available to the Debentures Holders from the Company. All such indemnification will be paid directly to the Dedicated Account or to the trustee's account in compliance with the provisions of clause 4.2 above.

6. **Miscellaneous**

6.1. The parties may not assign their rights and/or liabilities under this Agreement without the prior written consent of the other party to this Agreement and of an assembly of the Debentures Holders.

6.2. The parties will take all of the additional measures, including signing the additional documents required for the application and performance of this Agreement in letter and in spirit.

6.3. In any event where any party does not use any right granted thereto under this Agreement or under any law, the matter shall not be considered a waiver on its part of the same right, and the party may again use these rights. The breaching party may not claim a delay or waiver.

6.4. The terms of this Agreement include all of the stipulations and agreements between the parties, and govern over the engagements, consents, representations and warranties which preceded the signature of this Agreement, and which were conducted in writing or orally.

6.5. Any change and/or termination of any of the provisions of this Agreement shall occur solely through a written document, which shall be signed by all of the parties. Any change to this Agreement and/or the termination thereof shall be subject to the consent of an assembly of the Debentures Holders or the approval of the Trustee, if there is no change to the above, in order to harm the rights of the Debentures Holders.

6.6. The addresses of the sections to this Agreement are as written in the Preamble hereto. Any notice sent via registered mail based on one of the addresses above shall be considered to have arrived within 72 hours from dispatch, and if delivered by hand, upon delivery thereof.

6.7. This Agreement shall be construed in accordance with the laws of the Province of Ontario.

6.8. Time is and shall continue to be of the essence of this Agreement.

6.9. This Agreement constitutes the entire agreement between the parties and may not be amended in any manner except by written instrument signed by both of them.

6.10. This Agreement supercedes all previous agreements entered into between the parties.

In witness whereof, the parties affix their signatures:

Urbancorp Inc.

Per:_____

Alan Saskin

President

I have the authority to bind the Corporation

Urbancorp (Patricia) Inc.

Per:_____

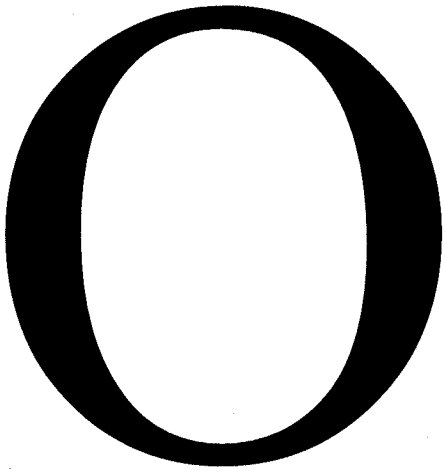
Alan Saskin

President

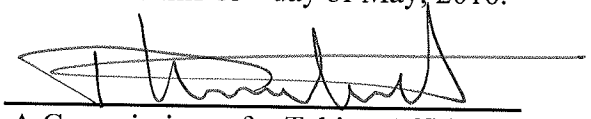
I have the authority to bind the Corporation

Appendix A

The Deed of Trust (Hebrew) and a translated copy of the Deed of Trust (English)



This is Exhibit "O" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.



A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

Loan Agreement

Conducted and signed in Toronto, Canada, on the 21st day of December, 2015

Between: **Urbancorp Inc.**

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

120 Lynn Williams Street, Suite 2A, Toronto Canada

Tel: (416) 928-5001

Facsimile: (416) 928-9501

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

On the one hand;

And between: **URBANCORP (LAWRENCE) INC.**

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

120 Lynn Williams Street, Suite 2A, Toronto Canada

Tel: (416) 928-5001

Facsimile: (416) 928-9501

(hereinafter: the "**Subsidiary**")

On the other hand;

(The Company and the Subsidiary shall be hereinafter jointly referred to as: the "**Parties**")

WHEREAS: On 30th of November, 2015, the Company published a supplementary prospectus, as amended on December 7, 2015, and supplementary notice published on December 8, 2015 (hereinafter: the "**Prospectus**"), within which the Company offered to the public debentures (series A) par value NIS 1 each (hereinafter: the "**Debentures**") under the terms as set forth in The Deed of Trust (as defined below); and

WHEREAS: Pursuant to the results of the issuance under the Prospectus, the Company issued on 10th of December, 2015, NIS 180,583,000 par value of Debentures; and

WHEREAS: The Company has decided to provide an amount of CAD 8,577,389.00 Million (out of The Maximum Owners Loan Amount) as a loan to the Subsidiary with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures, and that will be repaid on (2) two business days prior to the final repayment date of the principal of the Debentures (hereinafter: the "**Owners Loan**"), all such that the Company shall repay the debt to the Debentures Holders, inter alia, through a repayment of the Owners Loan; and

WHEREAS: The Owners Loan shall be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project, as set forth in the Prospectus and the Deed of Trust; and

WHEREAS: The Subsidiary wishes that the Company provide it with the Owners Loan, and the parties wish to set forth the terms of the Owners Loan and payment dates, all pursuant to the terms and conditions set forth in this Agreement;

Therefore, it is declared, stipulated and agreed between the parties as follows:

1. **Preambles, Titles and Appendices**

1.1. The Preamble to this Agreement and the appendices attached hereto constitute integral parts hereof.

1.2. The titles of the sections in this Agreement are provided for the sake of conciseness alone, and shall not be used for the sake of interpretation.

2. **Definitions**

2.1.	**"Business Day"**	A day on which, the banks in Israel and Canada are open for the performance of transactions in foreign currency.
2.2.	**"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 Subsidiary on their behalf that is recognized as a leading law firm in the field of real estate in the Province of Ontario, Canada. The Canadian Legal Counsel will be appointed by the parties as the Trustee for receiving all of the revenue for the housing units (deposits and final payment) in connection with any of the Backup 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.
2.3.	**"Dedicated Account"**	An account in the name of the Company, held in the State of Israel, number 136001795 in branch

100 at Israel Discount Bank Ltd., for which the signatory rights shall be joint between the Company and the Trustee. The full rights of the Company in the account will be pledged in favor of the Trustee, as set forth in section 6.4 to the Deed of Trust.

2.4. **"Nominee Company"** Mizrahi Tefahot Bank Registration Company Ltd. or any substitute nominee company.

2.5. **"Stock Exchange"** The Tel-Aviv Stock Exchange Ltd.

2.6. **"Surplus"** The funds which the Subsidiary will be entitled to receive, in practice, in respect of the Backup Project 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 Backup Project, with respect to that Backup Project, the Surplus will include Working Capital (as defined below), which the Company and/or the Subsidiary provided and/or will provide in favor of the Backup Project, and earnings derived thereto from the Backup Project. The Surplus will not include Permitted Amounts . "Permitted Amounts" – means funds designated for compulsory payments, including payments of taxes and levies; payments to service providers, suppliers or subcontractors, which will provide the Subsidiary with services in respect of the Backup Project; undertakings to the purchasers of units in the Backup Project; management fees and project overheads which will be paid by the Subsidiary, except for pending and future expenses which in the reasonable opinion of the Inspector (as defined above) are required to be held as a reserve, all in accordance with the budget of the project which will be administered by the Inspector. In addition, the Surplus will include all funds which will be due to the Company and/or the Subsidiary in the event of the sale of the Backup Project, partly or wholly, except for the amounts required for the payment of all debts to the lenders financing the Backup Project, with respect to that Backup Project, plus the Permitted Amounts. In this regard it should be clarified that the Company and/or the

	Subsidiary will be permitted, at any time, at their sole discretion, without obtaining the approval of the Trustee and/or the Debentures Holders to sell the Backup Project, provided that the proceeds due to the Company will be transferred to the Designated Account.
2.7. **"The Backup Project"**	1780 Lawrence Avenue West, Toronto Lawrence is a development project consisting of 88 low-rise residential units with a total saleable area of 236,478 square feet (the project has a total land area of 324,633 square feet) to be classified as development property – land reserve
2.8. **"The Deed of Trust"**	The Deed of Trust which was signed between the Company and the Trustee dated December 7th 2015, attached as **Appendix A** to this Agreement.
2.9. **"The Maximum Owners Loan Amount"**	CAD 46 Million.
2.10. **"The Repayment Interest"**	The unpaid balance of the principal of the loan shall bear fixed annual interest at the interest rate borne by the Debentures, as it may be from time to time, including regarding arrears interest, as applicable, and additional interest for certain events set forth in the Deed of Trust. Initially this rate is 8.15% per annum and subject to change in accordance with Sections 5.2 and 5.3 of the Deed Trust. It being understood and agreed that if the interest rate due pursuant to the Debenture increases or otherwise changes in accordance with Section 5.2 or 5.3 of the Deed of Trust and section 4(a) to the first schedule of the Deed of Trust , the interest rate pursuant to the Owners Loan shall change accordingly and on the same date or dates, but shall not be less than 8.15% per annum.
2.11. **"Working capital"**	In this matter: the funds invested by the Company and/or the Subsidiary in the Backup Project, whether by way of a loan (including the Owners Loan) or by way of a capital investment.
2.12. **The "Trustee"**	Reznik Paz Nevo Trusts Ltd.

3. **The Loan**

3.1. It is hereby agreed that no later than three business days after the receipt of the Trustee's confirmation for such in accordance with provision 6.8 to the Deed of Trust, the Company shall provide the Subsidiary the Owners Loan in the total amount of CAD 8,577,389.00 (hereinafter: the "**Principal of the Loan**").

3.2. The Owners Loans will be provided to the Subsidiary by the Company with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures.

3.3. Uses. Owners Loan funds will be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project.

3.4. Interest, Principal Payments. The terms of interest and arrears interest (if any) shall be identical to the terms of the Debentures. Meaning, for each CAD 1 of the Principal of the Loan, a total of CAD 1 plus the Repayment Interest will be repaid (hereinafter: the "Repayment **Amount**"). The Repayment Amount (principal and interest) will be repaid on (2) two business days prior to the final repayment date of the principal of the Debentures ("The Maturity Date of the Owners Loan"), currently December 2019, subject to Section 4.2 below.

3.5. The Subsidiary, through the Canadian Legal Counsel, will transfer all payments in connection with Owners Loan directly into the Dedicated Account and/or directly to the Nominee Company, for the purpose of repayments to the Debenture Holders.

3.6. Early Redemption. The Subsidiary is entitled to repay amounts, by early redemption, into the Dedicated Account, on account of the Owners Loan.

3.7. The Subsidiary shall not be entitled to withhold and/or offset any amount of their debt pursuant to this Agreement against any debt or liability of the Company of any kind to the Subsidiary.

3.8. 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 3 alone.

3.9. The Company and the Subsidiary undertake not to perform any change to this Agreement, including to the terms of the repayment of the Owners Loan and/or to forgive or in any way release or compromise the Owners Loan in whole or in part and/or convert the Owners Loan to other rights, other than 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.

3.10. The Company may increase the Owners Loan provided that the total of all Owners Loans to the Backup Projects shall not exceed the Maximum Owners Loan Amount.

4. **Representations and Warranties of the Subsidiary**

The Subsidiary declares, represents and warrants as follows:

4.1. The Subsidiary is aware that all the rights and interests of the Company pursuant to this Agreement will be pledged in favor of the Trustee on behalf of the Debentures Holders, with a fixed, exclusive first lien, unlimited in amount, for as long as the Debentures have not been repaid in full by the Company, and in accordance with the terms of the Deed of Trust.

4.2. The Subsidiary undertakes 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.

4.3. The repayment of the Owners Loan to the Company by the Subsidiary is subject to the repayment conditions of the Debentures by the Company (excluding The Maturity Date of the Owners Loan), including in the case of immediate repayment of the Debentures demanded by the Trustee or the Debentures holders and/or early repayment required following the deleting from trade of the Debentures by of the Stock Exchange, all subject and the Deed of Trust it being understood and agreed that if the debentures become due and payable in full in accordance with the terms of the Deed of Trust, the Owners Loan shall become due and payable.

4.4. The Subsidiary is aware of the grounds for calling for immediate repayment of the Debentures, including that non-compliance of the Company with the payment dates of the Debentures constitutes grounds as stated, and the Subsidiary undertakes to refrain from performance of any action which may place the Company in a situation constituting grounds for immediate repayment, including non-compliance with the repayment dates of the Owners Loan, set forth in this Agreement, in order to allow the Company to meet the repayment dates of the Debentures.

4.5. the Subsidiary undertakes that any amounts which it will be entitled to withdraw as Surplus will first be used to repay Owners Loan and accordingly if the date on which the Subsidiary will be entitled to withdraw the Surplus, in part or in full, including Backup Project profits is prior to the Maturity Date of the Owners Loan, the Subsidiary will implement an early redemption of the Owners Loan in the full amount it is entitled to withdraw.

4.6. On the date of the signing of this Agreement the Subsidiary (and/or companies under its control) is 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 the Subsidiary (and/or companies under its control) and the Subsidiary is not aware of any threat of applying or taking such actions. In addition, the Subsidiary declares that it (and/or companies under its control) have not passed a resolution of liquidation.

4.7. The Subsidiary undertakes to cause that as part of the financing loans to be assumed by the Subsidiary (and/or companies under its control) in the Backup Project, the lenders financing the Backup Project have not and will not be awarded the right to offset in connection with the properties and/or other accounts and no cross lien of any kind or type whatsoever will be given with respect to the properties that are under the Subsidiary (and/or companies under its control).

5. **Indemnification**

Without derogating from any remedy and/or relief and/or other or additional right granted to the Company under this Agreement and any law, the Subsidiary undertakes to indemnify the Company for any damage and/or cost caused to the Company for any event of a delay in the repayment of the Repayment Amount to the Company as stated in Section 3 above and/or a delay in the repayment of the Owners Loan, if required pursuant to the terms of the Prospectus and the Deed of Trust. The amount of the indemnification shall be the cost of damage caused to the Company pursuant to the terms specified in the Prospectus, the Deed of Trust and the remedies available to the Debentures Holders from the Company. All such indemnification will be paid directly to the Dedicated Account or to the trustee's account in compliance with the provisions of clause 4.2 above.

6. **Miscellaneous**

6.1. The parties may not assign their rights and/or liabilities under this Agreement without the prior written consent of the other party to this Agreement and of an assembly of the Debentures Holders.

6.2. The parties will take all of the additional measures, including signing the additional documents required for the application and performance of this Agreement in letter and in spirit.

6.3. In any event where any party does not use any right granted thereto under this Agreement or under any law, the matter shall not be considered a waiver on its part of the same right, and the party may again use these rights. The breaching party may not claim a delay or waiver.

6.4. The terms of this Agreement include all of the stipulations and agreements between the parties, and govern over the engagements, consents, representations and warranties which preceded the signature of this Agreement, and which were conducted in writing or orally.

6.5. Any change and/or termination of any of the provisions of this Agreement shall occur solely through a written document, which shall be signed by all of the parties. Any change to this Agreement and/or the termination thereof shall be subject to the consent of an assembly of the Debentures Holders or the approval of the Trustee, if there is no change to the above, in order to harm the rights of the Debentures Holders.

6.6. The addresses of the sections to this Agreement are as written in the Preamble hereto. Any notice sent via registered mail based on one of the addresses above shall be considered to have arrived within 72 hours from dispatch, and if delivered by hand, upon delivery thereof.

6.7. This Agreement shall be construed in accordance with the laws of the Province of Ontario.

6.8. Time is and shall continue to be of the essence of this Agreement.

6.9. This Agreement constitutes the entire agreement between the parties and may not be amended in any manner except by written instrument signed by both of them.

6.10. This Agreement supercedes all previous agreements entered into between the parties.

In witness whereof, the parties affix their signatures:

Urbancorp Inc.

Per:_____

Alan Saskin

President

I have the authority to bind the Corporation

Urbancorp (Lawrence) Inc.

Per:_____

Alan Saskin

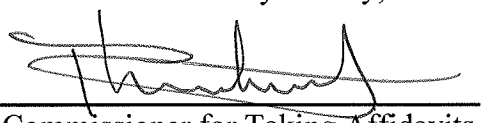
President

I have the authority to bind the Corporation

Appendix A

The Deed of Trust (Hebrew) and a translated copy of the Deed of Trust (English)

This is Exhibit "P" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.



A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

Loan Agreement

Conducted and signed in Toronto, Canada, on the 21st day of December, 2015

Between: **Urbancorp Inc.**

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

120 Lynn Williams Street, Suite 2A, Toronto Canada

Tel: (416) 928-5001

Facsimile: (416) 928-9501

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

On the one hand;

And between: **URBANCORP (MALLOW) INC.**

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

120 Lynn Williams Street, Suite 2A, Toronto Canada

Tel: (416) 928-5001

Facsimile: (416) 928-9501

(hereinafter: the "**Subsidiary**")

On the other hand;

(The Company and the Subsidiary shall be hereinafter jointly referred to as: the "**Parties**")

WHEREAS: On 30th of November, 2015, the Company published a supplementary prospectus, as amended on December 7, 2015, and supplementary notice published on December 8, 2015 (hereinafter: the "**Prospectus**"), within which the Company offered to the public debentures (series A) par value NIS 1 each (hereinafter: the "**Debentures**") under the terms as set forth in the Deed of Trust (as defined below); and

WHEREAS: Pursuant to the results of the issuance under the Prospectus, the Company issued on 10th of December, 2015, NIS 180,583,000 par value of Debentures; and

WHEREAS: The Company has decided to provide an amount of CAD $ 9,758,287.00 Million (out of The Maximum Owners Loan Amount) as a loan to the Subsidiary with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures, and that will be repaid on (2) two business days prior to the final repayment date of the principal of the Debentures (hereinafter: the "**Owners Loan**"), all such that the Company shall repay the debt to the Debentures Holders, inter alia, through a repayment of the Owners Loan; and

WHEREAS: The Owners Loan shall be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project, as set forth in the Prospectus and the Deed of Trust; and

WHEREAS: The Subsidiary wishes that the Company provide it with the Owners Loan, and the parties wish to set forth the terms of the Owners Loan and payment dates, all pursuant to the terms and conditions set forth in this Agreement;

Therefore, it is declared, stipulated and agreed between the parties as follows:

1. **Preambles, Titles and Appendices**

1.1. The Preamble to this Agreement and the appendices attached hereto constitute integral parts hereof.

1.2. The titles of the sections in this Agreement are provided for the sake of conciseness alone, and shall not be used for the sake of interpretation.

2. **Definitions**

2.1. **"Business Day"**	A day on which, the banks in Israel and Canada are open for the performance of transactions in foreign currency.
2.2. **"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 Subsidiary on their behalf that is recognized as a leading law firm in the field of real estate in the Province of Ontario, Canada. The Canadian Legal Counsel will be appointed by the parties as the Trustee for receiving all of the revenue for the housing units (deposits and final payment) in connection with any of the Backup 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.
2.3. **"Dedicated Account"**	An account in the name of the Company, held in the State of Israel, number 136001795 in branch

100 at Israel Discount Bank Ltd., for which the signatory rights shall be joint between the Company and the Trustee. The full rights of the Company in the account will be pledged in favor of the Trustee, as set forth in section 6.4 to the Deed of Trust.

2.4. **"Nominee Company"** Mizrahi Tefahot Bank Registration Company Ltd. or any substitute nominee company.

2.5. **"Stock Exchange"** The Tel-Aviv Stock Exchange Ltd.

2.6. **"Surplus"** The funds which the Subsidiary will be entitled to receive, in practice, in respect of the Backup Project 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 Backup Project, with respect to that Backup Project. The Surplus will include Working Capital (as defined below), which the Company and/or the Subsidiary provided and/or will provide in favor of the Backup Project, and earnings derived thereto from the Backup Project. The Surplus will not include Permitted Amounts. "Permitted Amounts" means funds designated for compulsory payments, including payments of taxes and levies; payments to service providers, suppliers or subcontractors, which will provide the Subsidiary with services in respect of the Backup Project; undertakings to the purchasers of units in the Backup Project; management fees and project overheads which will be paid by the Subsidiary, except for pending and future expenses which in the reasonable opinion of the Inspector (as defined above) are required to be held as a reserve, all in accordance with the budget of the project which will be administered by the Inspector. In addition, the Surplus will include all funds which will be due to the Company and/or the Subsidiary in the event of the sale of the Backup Project, partly or wholly, except for the amounts required for the payment of all debts to the lenders financing the Backup Project, with respect to that Backup Project, plus the Permitted Amounts. In this regard it should be clarified that the Company and/or the

	Subsidiary will be permitted, at any time, at their sole discretion, without obtaining the approval of the Trustee and/or the Debentures Holders to sell the Backup Project, provided that the proceeds due to the Company will be transferred to the Designated Account.
2.7. **"The Backup Project"**	15 Mallow Road, Toronto Mallow is a development project consisting of 39 low-rise residential units with a total saleable area of 109,280 square feet (the project has a total land area of 134,402 square feet) to be classified as development property – land reserve
2.8. **"The Deed of Trust"**	The Deed of Trust which was signed between the Company and the Trustee dated December 7th 2015, attached as **Appendix A** to this Agreement.
2.9. **"The Maximum Owners Loan Amount"**	CAD 46 Million.
2.10. **"The Repayment Interest"**	The unpaid balance of the principal of the loan shall bear fixed annual interest at the interest rate borne by the Debentures, as it may be from time to time, including regarding arrears interest, as applicable, and additional interest for certain events set forth in the Deed of Trust. Initially this rate is 8.15% per annum and subject to change in accordance with Sections 5.2 and 5.3 of the Deed of Trust. It being understood and agreed that if the interest rate due pursuant to the Debenture increases or otherwise changes in accordance with Section 5.2 or 5.3 of the Deed of Trust and section 4(a) to the first schedule of the Deed of Trust, the interest rate pursuant to the Owners Loan shall change accordingly and on the same date or dates, but shall not be less than 8.15% per annum.
2.11. **"Working capital"**	In this matter: the funds invested by the Company and/or the Subsidiary in the Backup Project, whether by way of a loan (including the Owners Loan) or by way of a capital investment.
2.12. **The "Trustee"**	Reznik Paz Nevo Trusts Ltd.

3. **The Loan**

3.1. It is hereby agreed that no later than three business days after the receipt of the Trustee's confirmation for such in accordance with provision 6.8 to the Deed of Trust, the Company shall provide the Subsidiary the Owners Loan in the total amount of CAD $9,758,287.00 (hereinafter: the "**Principal of the Loan**").

3.2. The Owners Loans will be provided to the Subsidiary by the Company with terms of interest and arrears interest (if any) that are identical to the terms of the Debentures.

3.3. Uses. Owners Loan funds will be used by the Subsidiary to provide working capital for the Backup Project and/or to repay financing loans provided to the Backup Project.

3.4. Interest, Principal Payments. The terms of interest and arrears interest (if any) shall be identical to the terms of the Debentures. Meaning, for each CAD 1 of the Principal of the Loan, a total of CAD 1 plus the Repayment Interest will be repaid (hereinafter: the "Repayment **Amount**"). The Repayment Amount (principal and interest) will be repaid on (2) two business days prior to the final repayment date of the principal of the Debentures ("The Maturity Date of the Owners Loan"), currently December 2019, subject to Section 4.2 below.

3.5. The Subsidiary, through the Canadian Legal Counsel, will transfer all payments in connection with Owners Loan directly into the Dedicated Account and/or directly to the Nominee Company, for the purpose of repayments to the Debenture Holders.

3.6. Early Redemption. The Subsidiary is entitled to repay amounts, by early redemption, into the Dedicated Account, on account of the Owners Loan.

3.7. The Subsidiary shall not be entitled to withhold and/or offset any amount of their debt pursuant to this Agreement against any debt or liability of the Company of any kind to the Subsidiary.

3.8. 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 3 alone.

3.9. The Company and the Subsidiary undertake not to perform any change to this Agreement, including to the terms of the repayment of the Owners Loan and/or to forgive or in any way release or compromise the Owners Loan in whole or in part and/or convert the Owners Loan to other rights, other than 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.

3.10. The Company may increase the Owners Loan provided that the total of all Owners Loans to the Backup Projects shall not exceed the Maximum Owners Loan Amount.

4. **Representations and Warranties of the Subsidiary**

The Subsidiary declares, represents and warrants as follows:

4.1. The Subsidiary is aware that all the rights and interests of the Company pursuant to this Agreement will be pledged in favor of the Trustee on behalf of the Debentures Holders, with a fixed, exclusive first lien, unlimited in amount, for as long as the Debentures have not been repaid in full by the Company, and in accordance with the terms of the Deed of Trust.

4.2. The Subsidiary undertakes 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.

4.3. The repayment of the Owners Loan to the Company by the Subsidiary is subject to the repayment conditions of the Debentures by the Company (excluding The Maturity Date of the Owners Loan), including in the case of immediate repayment of the Debentures demanded by the Trustee or the Debentures holders and/or early repayment required following the deleting from trade of the Debentures by of the Stock Exchange, all subject and the Deed of Trust it being understood and agreed that if the debentures become due and payable in full in accordance with the terms of the Deed of Trust, the Owners Loan shall become due and payable.

4.4. The Subsidiary is aware of the grounds for calling for immediate repayment of the Debentures, including that non-compliance of the Company with the payment dates of the Debentures constitutes grounds as stated, and the Subsidiary undertakes to refrain from performance of any action which may place the Company in a situation constituting grounds for immediate repayment, including non-compliance with the repayment dates of the Owners Loan, set forth in this Agreement, in order to allow the Company to meet the repayment dates of the Debentures.

4.5. the Subsidiary undertakes that any amounts which it will be entitled to withdraw as Surplus will first be used to repay Owners Loan and accordingly if the date on which the Subsidiary will be entitled to withdraw the Surplus, in part or in full, including Backup Project profits is prior to the Maturity Date of the Owners Loan, the Subsidiary will implement an early redemption of the Owners Loan in the full amount it is entitled to withdraw.

4.6. On the date of the signing of this Agreement the Subsidiary (and/or companies under its control) is 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 the Subsidiary (and/or companies under its control) and the Subsidiary is not aware of any threat of applying or taking such actions. In addition, the Subsidiary declares that it (and/or companies under its control) have not passed a resolution of liquidation.

4.7. The Subsidiary undertakes to cause that as part of the financing loans to be assumed by the Subsidiary (and/or companies under its control) in the Backup Project, the lenders financing the Backup Project have not and will not be awarded the right to offset in connection with the properties and/or other accounts and no cross lien of any kind or type whatsoever will be given with respect to the properties that are under the Subsidiary (and/or companies under its control).

5. **Indemnification**

Without derogating from any remedy and/or relief and/or other or additional right granted to the Company under this Agreement and any law, the Subsidiary undertakes to indemnify the Company for any damage and/or cost caused to the Company for any event of a delay in the repayment of the Repayment Amount to the Company as stated in Section 3 above and/or a delay in the repayment of the Owners Loan, if required pursuant to the terms of the Prospectus and the Deed of Trust. The amount of the indemnification shall be the cost of damage caused to the Company pursuant to the terms specified in the Prospectus, the Deed of Trust and the remedies available to the Debentures Holders from the Company. All such indemnification will be paid directly to the Dedicated Account or to the trustee's account in compliance with the provisions of clause 4.2 above.

6. **Miscellaneous**

6.1. The parties may not assign their rights and/or liabilities under this Agreement without the prior written consent of the other party to this Agreement and of an assembly of the Debentures Holders.

6.2. The parties will take all of the additional measures, including signing the additional documents required for the application and performance of this Agreement in letter and in spirit.

6.3. In any event where any party does not use any right granted thereto under this Agreement or under any law, the matter shall not be considered a waiver on its part of the same right, and the party may again use these rights. The breaching party may not claim a delay or waiver.

6.4. The terms of this Agreement include all of the stipulations and agreements between the parties, and govern over the engagements, consents, representations and warranties which preceded the signature of this Agreement, and which were conducted in writing or orally.

6.5. Any change and/or termination of any of the provisions of this Agreement shall occur solely through a written document, which shall be signed by all of the parties. Any change to this Agreement and/or the termination thereof shall be subject to the consent of an assembly of the Debentures Holders or the approval of the Trustee, if there is no change to the above, in order to harm the rights of the Debentures Holders.

6.6. The addresses of the sections to this Agreement are as written in the Preamble hereto. Any notice sent via registered mail based on one of the addresses above shall be considered to have arrived within 72 hours from dispatch, and if delivered by hand, upon delivery thereof.

6.7. This Agreement shall be construed in accordance with the laws of the Province of Ontario.

6.8. Time is and shall continue to be of the essence of this Agreement.

6.9. This Agreement constitutes the entire agreement between the parties and may not be amended in any manner except by written instrument signed by both of them.

6.10. This Agreement supercedes all previous agreements entered into between the parties.

In witness whereof, the parties affix their signatures:

Urbancorp Inc.

Per:_____

Alan Saskin

President

I have the authority to bind the Corporation

Urbancorp (Mallow) Inc.

Per:_____

Alan Saskin

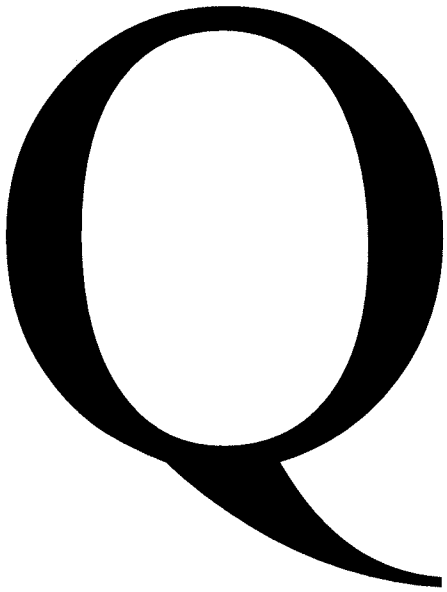
President

I have the authority to bind the Corporation

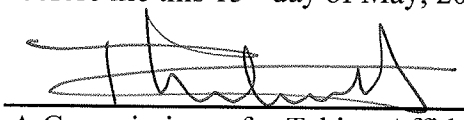
Appendix A

The Deed of Trust (Hebrew) and a translated copy of the Deed of Trust (English)

P



This is Exhibit "Q" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.



A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

INTERCOMPANY INTERIM FINANCING

REVOLVING CREDIT FACILITY TERM SHEET

Dated as of May 13, 2016

WHEREAS the Borrowers (as defined below) require immediate funding in order to fund the Borrowers' day to day operations and costs, including professional costs, as they undertake a formal restructuring of their respective businesses and operations;

AND WHEREAS the Lender (as defined below) has agreed to provide the Borrowers with an interim revolving credit facility (the "**Interim Facility**") in order to fund the Borrowers' operations and costs, including professional costs, during the Borrowers' restructuring proceedings pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), and/or the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") in accordance with the terms set out herein, pending the Borrowers obtaining a third-party court approved debtor-in-possession credit facility (an "**Additional Facility**");

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

BORROWERS:	Urbancorp Toronto Management Inc., Urbancorp Downsview Park Development Inc., Urbancorp (St. Clair Village) Inc., Urbancorp (Lawrence) Inc., Urbancorp (Mallow) Inc., Urbancorp (Patricia) Inc., Urbancorp Residential Inc., Urbancorp (952 Queen West) Inc., King Residential Inc., Urbancorp New Kings Inc., Urbancorp 60 St. Clair Inc., High Res. Inc., Urbancorp The Bridge Inc., Urbancorp Power Holdings Inc., Urbancorp Cumberland 1 GP Inc., Urbancorp Cumberland 1 LP, Vestaco Homes Inc., Vestaco Investments Inc., 228 Queen's Quay West Limited, **[Urbancorp Partner (King South) Inc.]**, Westside Gallery Lofts Inc., Urbancorp Cumberland 2 GP Inc., Urbancorp Cumberland 2 LP and Urbancorp (North Side) Inc. (collectively, in that capacity, the "**Borrowers**")
GUARANTORS:	All obligations of the Borrowers shall be jointly and severally guaranteed by each of Urbancorp Toronto Management Inc., Urbancorp Downsview Park Development Inc., Urbancorp (St. Clair Village) Inc., Urbancorp (Lawrence) Inc., Urbancorp (Mallow) Inc., Urbancorp (Patricia) Inc., Urbancorp Residential Inc., Urbancorp (952 Queen West) Inc., King Residential Inc., Urbancorp New Kings Inc., Urbancorp 60 St. Clair Inc., High Res. Inc., Urbancorp The Bridge Inc., Urbancorp Power Holdings Inc., Urbancorp Cumberland 1 GP Inc., Urbancorp Cumberland 1 LP, Vestaco Homes Inc., Vestaco Investments Inc., 228 Queen's Quay West Limited, **[Urbancorp Partner (King South) Inc.]**, Westside Gallery Lofts Inc., Urbancorp Cumberland 2 GP Inc., Urbancorp Cumberland 2 LP and Urbancorp (North Side) Inc. (collectively in that capacity, the "**Guarantors**"). The Borrowers and the Guarantors shall be collectively referred to herein as the

"**Urbancorp Obligors**").

LENDER: Urbancorp Partner (King South) Inc. (the "**Lender**").

PURPOSE/USE OF PROCEEDS: The proceeds of any advance made under the Interim Facility will be used (i) to pay the costs, fees and expenses which are incurred in connection with the Borrowers' court supervised insolvency proceedings, including professional fees; (ii) for the Borrowers' working capital; and (iii) for other general corporate purposes approved by KSV Kofman Inc. in its capacity as either BIA Proposal Trustee or CCAA Monitor of the Borrowers ("**KSV**") until such time as funding becomes available under an Additional Facility.

MAXIMUM AMOUNT: The maximum amount ("**Maximum Amount**") available under the Interim Facility from time to time shall be the lesser of: (i) Cdn.$1,900,000 and; (ii) 110% of the Borrowers' then cumulative weekly projected Interim Facility borrowings for the applicable period set out in the Cash Flow Projections (as hereinafter defined) as the line referred to as "**Interim Financing Requirement**".

MATURITY DATE: The earliest of: (i) December 31, 2016, (ii) the date upon which all conditions precedent to the implementation of a Proposal or Plan have been satisfied (the "**Implementation Date**"); and (iii) such earlier date (the "**Termination Date**") upon which repayment is required due to the occurrence of an Event of Default (as defined below) (the "**Maturity Date**").

The Maturity Date may be extended at the request of the Borrowers and with the consent of the Lender at its sole discretion for additional periods of not more than 90 days and upon such additional terms and conditions as the Borrowers and the Lender may agree.

The commitment in respect of the Interim Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Facility shall be repaid in full no later than the Maturity Date without the Lender being required to make demand upon the Borrowers or to give notice that the Interim Facility has expired and the obligations are due and payable.

INTERIM FACILITY: The Interim Facility shall be a revolving credit facility up to the Maximum Amount, and shall be available subject to and upon the terms and conditions set out in this Term Sheet (the "**Term Sheet**"). The Lender and the Borrowers acknowledge that the sum of $1,900,000 has been placed by the Lender in the trust account of KSV, as Proposal Trustee, to facilitate the making of advances to the Borrowers under this Term Sheet ("**Interim Facility**

Advances"). Interim Facility Advances shall be requested by individual Borrowers in increments of not less than $5,000 pursuant to written drawdown requests made by the requesting Borrower and approved by KSV (each a "**Drawdown Request**", and collectively, the "**Drawdown Requests**") to the Lender. Interim Facility Advances shall be deposited by KSV, on behalf of the Lenders, into the relevant Borrower's existing account with The Toronto-Dominion Bank (the "**Borrowers' Accounts**") and may only be withdrawn by the requesting Borrower strictly in accordance with the terms hereof and the Cash Flow Projections.

INTERIM FACILITY CHARGE:

All obligations of the Urbancorp Obligors shall be secured by Court ordered charges over all present and after acquired property, assets and undertakings of each of the Urbancorp Obligors and ranking immediately behind any existing secured creditors pursuant to a court ordered charge under section 50.6 of the BIA, and if applicable, section 11.2 of the CCAA (the "**Interim Facility Charge**"). The Urbancorp Obligors shall have obtained the Interim Facility Charge on or before May 23, 2016; provided that the Urbancorp Obligors shall be permitted to request advances in the interim until such time as the Interim Facility Charge is obtained.

INTERIM FACILITY APPROVAL ORDER:

The Borrowers shall use their best efforts, as soon as practicable after the initiation of the Proposal Proceedings, to obtain an order of the Court authorizing the Borrowers to enter into the Term Sheet, approving the terms of the Interim Facility, and granting the Interim Facility Charge (in form and substance acceptable to the Lender in its sole and absolute discretion and as more particularly described below in this Term Sheet) (the "**Interim Facility Approval Order**"), *provided, however*, that the Lender shall not be obligated to provide any Interim Facility Funding or further Interim Facility Funding if any one or more of the following occurs: (a) the Interim Facility Approval Order has been vacated, stayed or otherwise caused to become ineffective or is amended in a manner not acceptable to the Lender (such consent not to be unreasonably withheld where any such amendment does not pertain to the Interim Facility), (b) a Default or Event of Default has occurred and is continuing under the Interim Facility, or (c) the Court has not entered the Interim Facility Approval Order on or before June 1, 2016.

The Interim Facility Approval Order shall be in form and substance satisfactory to the Lender, which order shall, without limitation, include:

(i) provisions approving this Term Sheet and the Interim Facility created herein and the execution and delivery by the Borrowers of such other Credit Documentation as the

Lender deems necessary or appropriate, acting reasonably;

(ii) provisions granting to the Lender the Interim Facility Charge in respect of prior and future advances made hereunder;

(iii) provisions authorizing and directing the Borrowers to execute and deliver such loan and security documents relating to the Interim Facility and such security documents evidencing the Interim Facility Charge in such form and substance as the Lender may reasonably require;

(iv) provisions authorizing the Lender to effect registrations, filings and recordings wherever in their discretion they deem appropriate regarding the Lender Security;

(v) provisions providing that the Interim Facility Charge shall be valid and effective to secure all of the obligations of the Urbancorp Obligors to the Lender without the necessity of the making of any registrations or filings and whether or not any other documents are executed by the Urbancorp Obligors and the Lender pursuant hereto;

(vi) provisions declaring that the granting of the Interim Facility Charge does not constitute conduct meriting an oppression remedy, settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions under any applicable federal or provincial legislation;

(vii) provisions restricting the granting of any additional liens or encumbrances on the assets of the Borrowers other than as permitted herein or any order approving a Replacement Facility;

(viii) provisions ordering and declaring the Interim Facility to be treated as an Unaffected Claim in the Proposal or Plan of the Urbancorp Obligors;

CASH FLOW PROJECTIONS:

Prior to the initial Drawdown Request the Borrowers shall have provided to the Lender, in form and substance satisfactory to the Lender, the cash flow projections (the "**Cash Flow Projections**"), setting out the projected cash requirements of each of the Urbancorp Obligors from April 21, 2016 (the "**Filing Date**") through the eleven week period following the Filing Date, calculated on a weekly basis. The expenditures set out in the Cash Flow Projections may be amended by the Borrowers from time to time in consultation with KSV and the Lender. To the extent that the Maturity Date is extended pursuant to this Term Sheet, the Cash Flow Projections with respect to such extended period shall

be provided to the Lender in form and substance satisfactory to the Lender.

AVAILABILITY UNDER INTERIM FACILITY:

The Interim Facility is to operate as a revolving facility and the amount of any advance under the Interim Facility (an "**Advance**") that is repaid may be re-borrowed thereunder, subject to the other provisions of this Term Sheet. The aggregate amount of all Advances outstanding under the Interim Facility shall not at any time exceed the Maximum Amount.

INTEREST RATE:

The Toronto-Dominion Bank Prime Rate (as defined below) + 2% *per annum*. Interest on Advances, without duplication, shall accrue on a monthly basis and shall be payable on the Maturity Date. Such interest payment shall constitute an Advance under the Interim Facility to the extent that there are insufficient funds on deposit to pay such interest.

Interest shall be calculated daily for the actual number of days elapsed in the period during which it accrues based on a year of 365/366 days, as applicable.

LENDER FEES:

There shall be no fees payable by the Urbancorp Borrowers to the Lender in respect of the Interim Facility.

EVENTS OF DEFAULT

The occurrence of any one or more of the following events, without the prior written consent of the Lender, shall constitute an event of default ("**Event of Default**") under this Interim Facility Agreement:

(a) The issuance of an order terminating the BIA Proposal Proceedings, CCAA Proceedings or lifting the stay to permit the enforcement of any security against any Urbancorp Obligor or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against any Urbancorp Obligor;

(b) The issuance of an order staying, reversing, vacating or otherwise modifying the Interim Financing Charge or, any Orders in a manner which adversely impacts the rights and interests of the Lender;

(c) If (i) the Interim Financing Approval Order is varied without the consent of the Lender in a manner adverse to the Lender or (ii) the stay of proceedings contained in any Order is terminated or is lifted to allow an action adverse to the Lender;

(d) Failure of any Borrower to pay any principal, interest, fees or any other amounts, in each case when due and owing

hereunder;

(e) Failure of any Borrower to comply with the Cash Flow Projections in any material respect and such failure is not cured within two (2) Business Days of such failure, and subject to the Proposal Trustee confirming the materiality of such variance;

(f) Any material violation or breach of any Order upon receipt by the Borrower of notice from the Lender of such violation or breach; and

(g) Failure of any Urbancorp Obligor to perform or comply with any other term or covenant under this Term Sheet and such default shall continue unremedied for a period of five (5) Business Days.

REMEDIES: Upon the occurrence of an Event of Default, whether or not there is availability under the Interim Financing Facility, without any notice or demand whatsoever, the right of the Borrower to receive any Advance or other accommodation of credit shall be terminated, subject to any applicable notice provision in any Order and the cure period set out in (g) in the Events of Default (as the case may be). Without limiting the foregoing, upon further Order of the Court, the Lender shall have the right to exercise all other customary remedies, including, without limitation, the right to realize on all Collateral and to apply to the court for the appointment of a receiver. No failure or delay by the Lender in exercising any of its rights, hereunder or at law shall be deemed a waiver of any kind, and the Lender shall be entitled to exercise such rights in accordance with the Term Sheet at any time.

GUARANTEE: Each of the Guarantors hereby agrees that it is jointly and severally liable for, and hereby irrevocably and unconditionally guarantees to the Lender and their respective successors and assigns, the full and prompt payment when due (whether at stated maturity, by acceleration or otherwise) and at all times thereafter, and performance, of all of the obligations owed or hereafter owing to the Lender by each of the Borrowers hereunder. Each of the Guarantors agrees that its guarantee obligation hereunder is a continuing guarantee of payment and performance and not of collection, that its obligations under this Guarantee shall not be discharged until payment and performance, in full, of all of the obligations of the Borrowers under the Interim Facility have occurred and this Term Sheet has been terminated, and that its obligations hereunder shall be primary, absolute and unconditional.

The obligations of the Guarantors hereunder shall not be satisfied,

reduced or discharged by any intermediate payment, settlement or satisfaction of the whole or any part of the principal, interest, fees or other money or amounts which may at any time be or become owing or payable under, by virtue of, or otherwise in connection with the obligations of the Borrowers under this Term Sheet or any of the documents executed in connection herewith.

The Guarantors shall be regarded, and shall be in the same position, as principal debtor with respect to the obligations of the Borrowers hereunder and any amounts expressed to be payable from the Guarantors shall be recoverable from the Guarantors as primary obligors and principal debtors in respect thereof.

The obligations of the Guarantors hereunder shall not be affected or impaired by any act, omission, matter or thing whatsoever, occurring before, upon or after any demand for payment hereunder which, but for this provision, might constitute a whole or partial defence to a claim against the Guarantors hereunder or might operate to release or otherwise exonerate the Guarantors from any of their obligations hereunder or otherwise affect such obligations. Each of the Guarantors hereby irrevocably waives any defence it may now or hereafter have in any way relating to any of the foregoing.

The Lender, without releasing, discharging, limiting or otherwise affecting in whole or in part the Guarantors' obligations and liabilities hereunder and without the consent of or notice to the Guarantors, may:

(a) grant time, renewals, extensions, compromises, concessions, waivers, releases, discharges and any other indulgences to any Borrower or Guarantor;

(b) amend, vary, modify, supplement or replace this Term Sheet or any document issued in connection therewith or any other related document to which the Guarantors are not a party;

(c) release, discharge, compromise, realize, enforce or otherwise deal with or do any act or thing in respect of any security given by the Borrowers or the Guarantors with respect to any of the obligations of the Borrowers or the Guarantors contemplated by this Term Sheet;

(d) accept compromises or arrangements from the Borrowers or the Guarantors;

(e) apply all money at any time received from the Borrowers or either Guarantor or from any collateral to any part of the obligations outstanding under this Term Sheet as they may

see fit; and

(f) otherwise deal with, or waive or modify their right to deal with, the Borrowers, the Guarantors and all other persons and securities as they may see fit.

FURTHER ASSURANCES: The Borrowers and Guarantors shall at their expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Lender may reasonably request for the purpose of giving effect to this Term Sheet.

AMENDMENTS, WAIVERS, ETC.: No waiver or delay on the part of the Lender in exercising any right or privilege hereunder will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the Lender.

COUNTERPARTS AND FACSIMILE SIGNATURES: This Term Sheet may be executed in any number of counterparts and by facsimile, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Term Sheet by signing any counterpart of it.

GOVERNING LAW AND JURISDICTION: This Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

ADDITIONAL DEFINITIONS: Capitalized terms not otherwise defined herein shall have the following meanings:

"**Business Day**" means each day other than a Saturday or Sunday or a statutory or civic holiday that banks are open for business in Toronto, Ontario, Canada;

"**Default**" means an event which, with the giving of notice and/or lapse of time would constitute an Event of Default (as defined herein);

"**Liens**" means all mortgages, charges, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever;

"**Plan**" means a plan of arrangement or compromise to creditors filed, or to be filed, by one or more Urbancorp Obligor, pursuant to section 5 of the CCAA;

"**Prime Rate**" means the rate of interest per annum (calculated on the basis of a year of 365/366 days, as applicable) from time to time declared by The Toronto-Dominion Bank as its prime interest rate for Canadian dollar demand commercial loans made by it in

Canada as adjusted from time to time; and

"**Proposal**" means a proposal to creditors filed, or to be filed, by any Urbancorp Obligor pursuant to section 62(1) of the BIA.

[Signature pages follow]

IN WITNESS HEREOF, the parties hereby executed this Term Sheet as of May 13, 2016.

URBANCORP TORONTO MANAGEMENT INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP (ST. CLAIR VILLAGE) INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP (LAWRENCE) INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP (PATRICIA) INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP (MALLOW) INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP DOWNSVIEW PARK DEVELOPMENT INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP RESIDENTIAL INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP (952 QUEEN WEST) INC., as a Borrower and Guarantor

By: _____
Name:
Title:

KING RESIDENTIAL INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP NEW KINGS INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP 60 ST. CLAIR INC., as a Borrower and Guarantor

By: _____
Name:
Title:

HIGH RES. INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP THE BRIDGE INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP POWER HOLDINGS INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP CUMBERLAND 1 GP INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP CUMBERLAND 1 LP, by its general partner **URBANCORP CUMBERLAND 1 GP INC.,** as a Borrower and Guarantor

By: _____
Name:
Title:

VESTACO HOMES INC., as a Borrower and Guarantor

By: _____
Name:
Title:

VESTACO INVESTMENTS INC., as a Borrower and Guarantor

By: _____
Name:
Title:

228 QUEEN'S QUAY WEST LIMITED, as a Borrower and Guarantor

By: _____
Name:
Title:

WESTSIDE GALLERY LOFTS INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP CUMBERLAND 2 GP INC., as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP CUMBERLAND 2 LP, by its general partner **URBANCORP CUMBERLAND 2 GP INC.**, as a Borrower and Guarantor

By: _____
Name:
Title:

URBANCORP (NORTH SIDE) INC., as a Borrower and Guarantor

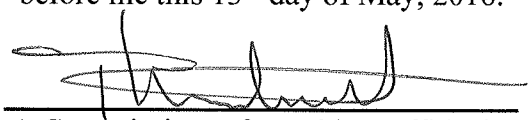
By: _____
Name:
Title:

URBANCORP PARTNER (KING SOUTH) INC., as Lender

By: _____
Name:
Title:

R

This is Exhibit "R" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.



A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

Urbancorp Inc.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015

Urbancorp Inc.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015

INDEX

AUDITORS' REPORT

To the Shareholders of

Urbancorp Inc.

We have audited the accompanying consolidated statements of financial position of Urbancorp Inc. ("the Company") as of December 31, 2015 and 2014, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations, changes in its equity and cash flows for each of the three years in the periods ended December 31, 2015, in conformity with International Financial Reporting Standards ("IFRS") and with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

BRIGHTMAN ALMAGOR ZOHAR & CO.
Accountants
Tel-Aviv, Israel, March 31, 2016

Urbancorp Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	2015	2014
		CAD$ in thousands	
CURRENT ASSETS:			
Cash and cash equivalents		5,309	592
Restricted and earmarked deposits	4	17,652	3,901
Other accounts receivable	5	13,728	9,307
Clients - condominium buyers		-	43,523
Customer deposits held in trust	4	8,337	7,160
Inventories of buildings for sale	8	100,738	107,133
Related parties	22	-	- (*)
Total Current Assets		145,764	(*) 171,616
NON-CURRENT ASSETS:			
Related parties	22	8,000	
Investment property under construction	9	59,825	50,802
Investment property	10	29,686	8,871
Real estate inventories	11	18,284	34,354
Property, plant and equipment	12	57,533	48,778
Long-term receivables		1,551	3,623
Goodwill	6b(1)	1,961	1,961
Total non-current assets		176,840	148,389
Total Assets		322,604	(*) 320,005
CURRENT LIABILITIES:			
Loans from financial corporations and others	13	37,832	174,020
Bonds	14	58,776	-
Trade payables, contractors and service providers	16	30,704	30,231
Advances from condominium buyers		22,704	29,533
Other accounts payable	15	18,015	1,398
Total Current Liabilities		168,031	235,182
NON-CURRENT LIABILITIES:			
Loans from financial corporations and others	13	60,109	2,523
Deferred tax liabilities	17	15,672	17,698
Total non-Current Liabilities		75,781	20,221
CONTINGENT LIABILITIES, COMMITMENTS AND CHARGES	19		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:	18		
Owners' contributions, net		76,485	55,092 (*)
Capital reserve for revaluation of property, plant and equipment net of tax		20,220	20,449
Retained earnings		(17,913)	(10,939)
Total equity		78,792	64,602 (*)
Total Liabilities and Equity		322,604	320,005 (*)

(*) See note 2a

March 31, 2016
Date of approval of the financial statements

Mr. Alan Saskin
CEO and Chairman

Mr. Philip Gales
Deputy CEO, Finance

The accompanying notes are an integral part of the consolidated financial statements.

Urbancorp Inc.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended December 31, 2015	2014	2013
Revenues from sale of condominiums and retail space		52,824	56,693	29,744
Revenues from rent and management of properties		1,675	1,557	2,673
Revenues from operating geothermal units		977	703	472
		55,476	58,953	32,889
Cost of condominiums and retail space sold		(50,587)	(50,711)	(25,918)
Cost of rent and management of properties	21a	(1,932)	(1,347)	(2,077)
Operating cost of geothermal units	21b	(907)	(577)	(467)
		(53,426)	(52,635)	(28,462)
Gross profit		2,050	6,318	4,427
Selling and marketing expenses	21c	(6,241)	(4,775)	(4,697)
General and administrative expenses	21d	(1,677)	(1,351)	(788)
Fair value gain (loss) of investment property, net		(6,874)	1,586	(26)
Other income (expenses), net	21e	2,521	69	2,194
Transfer tax expenses	21h	(3,482)	-	-
Gain from sale of joint operation	6b(1)	-	-	28,400
Operating income (loss)		(13,703)	1,847	29,510
Finance income	21g	939	380	2,197
Finance expenses	21f	(2,296)	(788)	(2,658)
Finance income (expenses), net		(1,357)	(408)	(461)
Income (loss) for the year before income tax		(15,060)	1,439	29,049
Income tax (expense) income	17	3,991	(381)	(7,698)
Total income (loss)		(11,069)	1,058	21,351
Other comprehensive income:				
Items of other comprehensive income that will not be reclassified subsequently to profit or loss:				
Gain (loss) from revaluation of property, plant and equipment net of tax		3,866	7,050	(3,177)
Total other comprehensive income for the year		3,866	7,050	(3,177)
Total comprehensive income for the year		(7,203)	8,108	18,174

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Owners' contributions, net	Capital reserve for revaluation of property, plant and equipment net of tax	Retained earnings (loss balance)	Total
	CAD in thousands			
Balance at January 1, 2013	43,272	16,576	(33,348)	26,500
Profit	-	-	21,351	21,351
Other comprehensive loss	-	(3,177)	-	(3,177)
Owners' contributions	27,582	-	-	27,582
Owners' withdrawals	(14,869)	-	-	(14,869)
Balance at December 31, 2013	55,985	13,399	(11,997)	57,387
Profit	-	-	1,058	1,058
Other comprehensive profit	-	7,050	-	7,050
Owners' contributions	17,875 (*)	-	-	17,875 (*)
Owners' withdrawals	(18,768)	-	-	(18,768)
Balance at December 31, 2014	55,092 (*)	20,449	(10,939)	(64,602 (*)
Loss	-	-	(11,069)	(11,069)
Other comprehensive profit	-	3,866	-	3,866
Transfer to surplus of capital fund re-evaluation of RK (**)		(4,095)	4,095	
Owners' contributions	32,589	-	-	32,589
Owners' withdrawals	(11,196)	-	-	(11,196)
Balance at December 31, 2015	76,485	20,220	(17,913)	78,792

(*) See note 2a

(**) See note 7(2)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Income (loss) for the year	(11,069)	1,058	21,351
Adjustments to present cash flows from operating activities:			
Depreciation and amortization	3,383	2,414	1,851
Finance expenses (income), net	1,357	409	(78)
Income tax expense (income)	(3,991)	381	7,698
Fair value gain (loss) of investment property	6,874	(1,586)	26
Capital gain from sale of joint operation and from adjustment of remaining interests to fair value	-	-	(28,400)
Other income (expenses), net	(2,521)	(68)	(240)
Change in asset and liability items:			
Decrease (increase) in other accounts receivable	486	(1,258)	(819)
Decrease in trade receivables - condominium buyers	45,907	4,075	25,889
Decrease (increase) in inventories of buildings for sale	43,586	6,137	(28,597)
Decrease (increase) in real estate inventories	(8,799)	(14,017)	(5,589)
Increase (decrease) in trade and other accounts payable	12,094	(600)	2,932
Increase (decrease) in advances from condominium buyers	(7,263)	1,768	(3,656)
Net cash used in operating activities	80,044	(1,287)	(7,632)
Cash flows for investing activities:			
Decrease (increase) in customer deposits held in trust	(1,113)	396	7,817
Interest received	939	380	2,198
Cash derived from combining businesses – note 7(2)	86	-	-
Change in restricted and earmarked deposits	(12,868)	2,076	4,831
Construction of investment property	(13,359)	(11,888)	(4,681)
Sale of investment property	5,826	-	-
Investment in property, plant and equipment	(402)	(3,934)	(4,426)
Net cash used in investing activities	(20,891)	(12,970)	5,739
Cash flows from financing activities:			
Interest paid	(16,839)	(13,030)	(13,216)
Placement of bonds by the company (less issuance expenses)	58,775	-	-
Receipt of loans from financial corporations and others	40,968	80,097	62,566
Repayment of loans from financial corporations and others	(141,690)	(55,967)	(60,811)
Distributions to equity holders of the Company	(9,465)	(7,598)	(6,904)
Contributions by equity holders of the Company	13,815	10,898	20,520
Net cash provided by financing activities	(54,436)	14,400	2,155
Change in cash and cash equivalents	4,717	143	262
Cash and cash equivalents at the beginning of the year	592	449	187
Cash and cash equivalents at the end of the year	5,309	592	449

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Appendix A - non-cash transactions:

	Year ended December 31,		
	2015	2014	2013
Balances with related parties	8,000	(*)-	-
Repayment of credit and loans by controlling shareholder	-	6,678	1,687
Transfer of investment property in consideration of debt repayment to suppliers	7,103	-	-
Sale of density-rights by Edge – other accounts receivables	2,835	-	-
Purchase of investment property using credit from vendor (VTB)	22,416	572	

(*) See note 2a

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- GENERAL

a. Urbancorp Inc. ("the Company") was founded and incorporated on June 19, 2015 under the laws of the Province of Ontario, Canada.

Its registered office is located at 120 Lynn Williams Street, Suite 2A, Toronto, Ontario, Canada.

The Company and its subsidiaries are involved in development, ownership, leasing and selling of retail and residential condominiums in Ontario.

The Company also holds geothermal assets that are combined heating and cooling systems installed in condominiums which integrate green technologies to ensure that the condominium is kept in an environment where temperature is optimal.

Additional information on the company's activities is presented in note 23.

b. **Definitions:**

In these financial statements:

The Company	- Urbancorp Inc.
The Group	- The Company and its subsidiaries.
Subsidiaries	- Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Joint arrangements	- Arrangements in which the Group has joint control which was achieved by a contractual agreement which requires the unanimous consent regarding activities that significantly affect the rights of the arrangement.
Interested parties and controlling shareholders	- As defined in the Israeli Securities Regulations (Annual Financial Statements), 2010.
Related parties	- as defined in IAS 24 (Revised).
Canadian dollar/dollar	Canadian dollar

c. **Deficit in working capital:**

As of December 31, 2015, the Company has a working capital deficit of approx. CAD 22.3 million

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation of the financial statements:

1. **Analysis format of expenses recognized in profit or loss:**
The Company has elected to present the statement of comprehensive income using the method of function of expenses within the entity.

2. **Preparation format of the financial statements:**
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These Standards comprise:

a) International Financial Reporting Standards (IFRS).
b) International Accounting Standards (IAS).
c) Interpretations issued by the IFRIC and by the SIC.

Furthermore, the financial statements have been prepared in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

3. **Consistent accounting policies:**
The accounting policies adopted in the financial statements are consistent with those of all periods presented.

4. **Exchange rates:**

	2015	2014	2013
CAD$ in relation to NIS	2.81	3.35	3.26
Change in exchange rate during the year	(16.21%)	2.89%	(12.95%)

b. Significant judgments, estimates and assumptions used in the preparation of the financial statements:

1. **Considerations in the application of accounting policy:**
In the process of applying the significant accounting policies in the financial statements, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a) **Existence of joint control in investees:**
The Company holds several joint arrangements for the construction and management of real estate projects with third parties. According to an examination of the contractual arrangement of some of the Group's agreements, there exists a steering committee which accepts the important decisions in the project and the Company is conferred the right to appoint one member of the four-member committee until the loans provided to the Company by its partners to the joint control arrangements are repaid. Repayment of these loans will confer the Company the right to appoint two members of the four-member steering committee. In the framework of examining whether the existence of the Company's right to achieve this

equality is substantive (as defined in IFRS 10), its option to pay off these loans immediately was taken into account as well as its ability to do so. Considering the above, the Company's right was assessed as a substantive right as defined in IFRS 10 which confers it joint control over projects.

b) **Classification of joint arrangements as joint operations or joint ventures:**
The Company maintains joint control over several entities. In order to identify the type of joint arrangement in these arrangements, the Company determines its rights and obligations arising from the arrangements by considering the structure and legal form of the arrangement, the terms agreed by the Company and third parties which give joint control over these entities and the system of agreements between the Company and these entities.

Based on this examination, these entities have been presented as joint operations. For more details, see Note 6.

c) **Revenue recognition for sale of condominiums:**
The Group recognizes revenues from sale of condominiums at the date of their delivery to the customer and after collecting 15% to 20% of the sale consideration and when there is reasonable assurance that the condominium buyers will pay off their outstanding balance to the Company.

The Company's management estimates, based on the terms of the sale contract and past experience, that on the delivery date of the condominium, all the significant risks and rewards of ownership of the condominiums, including the exposure to changes in their fair value, have passed to the buyer. The Group recognized revenues of CAD 53,192 - thousand from sale of condominiums in 2015 (CAD 56,693 thousand in 2014, CAD 29,744 thousand in 2013). In the financial statements, receivables balance which represents the debt of condominium buyers from the delivery date of the condominium to the date of paying the full balance that was presented in the financial statement for December 31, 2014, was fully paid during the report period. As of Dec 31, 2015 there is no customer receivables balance (2014 - CAD 43,523 thousand).

d) **Classification of real estate properties as inventories or investment properties:**
The Company classifies lands that it acquired as inventories or investment properties based on management's development plans for the lands when acquired. If the Company plans to develop the land to build condominiums for sale to buyers, the respective land component will be classified as inventories. If the Company plans to develop the land to earn rentals or for appreciation or both, the respective land component will be classified as investment property. Transfers from inventories to investment property will be made upon commencement of an operating lease to another party.

2. **Key factors concerning estimation uncertainties:**

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate.

The key assumptions made in the financial statements concerning uncertainties at the reporting date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) **Inventories of condominiums under construction:**
The net realizable value is determined based on the Company's estimate consisting of forecasts and estimates regarding the expected proceeds from the sale of the inventories in the project and the construction costs necessary in order to bring the inventories to a saleable condition. See additional information in h.

b) **Fair value of investment property:**
The Group's investment property is presented at fair value with changes therein carried to profit or loss as income or expenses.

In order to determine the fair value of investment property, the Company's management mainly relies on valuations that are performed each period by external independent real estate appraisers with the required knowhow, experience and expertise. The Company's management determines the fair value based on standard real estate valuation methods such as the discounted cash flow (DCF) method and using comparable selling prices of similar properties and nearby Group assets. When using the DCF method, the interest rate used to discount the net expected cash flows from the property has a material impact on fair value.

In determining fair value, the following factors are taken into account, among others and as applicable: the location and physical condition of the property, the quality and financial strength of the tenants, the rental periods, the rental prices for similar properties, any needed adjustments to existing rental prices, the percentage of actual and projected occupation of the property and operating costs. Any change in the value of all or part of these factors is liable to have a material effect on the fair value of the property as valued by the Company's management.

The Group aims to determine fair value in as objective a manner as possible yet there is still a subjective element to the process of evaluating the fair value of investment property which, among others, originate from the Company's management's past experience and understanding of the developments in the investment property market on the date of fair value estimate. Accordingly and in view of the aforementioned, the determination of the fair value of the Group's investment property requires

exercising judgment. Changes in the assumptions underlying the fair value determination could have a material impact on the Group's financial position and operating results. The carrying amount of the investment properties measured at fair value as of December 31, 2015 approximates CAD 29,686 thousand (2014 - CAD 8,871 thousand).

For more details of the assumptions used by the Group to estimate the fair value of investment property, see Note 10d.

c) **Fair value of investment property under construction:**

The Group's investment property under construction is presented at fair value at the end of the reporting period with changes therein carried to profit or loss as income or expenses.

In order to determine the fair value of investment property under construction, the Company's management mainly relies on valuations that are performed annually by external independent real estate appraisers with the required knowhow, experience and expertise. The Company's management determines the fair value based on standard real estate valuation methods such as the DCF method and using comparable selling prices of similar properties and nearby Group assets after weighting construction costs. When using the DCF method, the interest rate used to discount the net expected cash flows from the property has a material impact on fair value.

In determining fair value, the following factors are taken into account, among others and as applicable: the duration of the project's construction, the amount of the rental fees that the project will yield, the additional cost needed for the project's construction until its current operation and the interest rate, the project's risk premium, the contractual terms that might require the Company to sell its rights in the project and the required discount rate. Any change in the value of all or part of these factors is liable to have a material effect on the fair value of the property as estimated by the Company's management.

The Group aims to determine fair value in as objective a manner as possible yet there is still a subjective element to the process of evaluating the fair value of investment property which, among others, originate from the Company's management's past experience and understanding of the developments in the investment property market on the date of fair value estimate. Accordingly and in view of the aforementioned, the determination of the fair value of the Group's investment property under construction requires exercising judgment. Changes in the assumptions underlying the fair value determination could have a material impact on the Group's financial position and operating results. The carrying amount of the investment properties under construction that are measured at fair value as of December 31, 2015 approximates CAD 59,825 thousand (2014 - CAD 50,802 thousand).

For more details of the assumptions used by the Group to estimate the fair value of investment property under construction, see Note 9d.

d) **Fair value of geothermal units:**

The Company's management exercises judgment in selecting appropriate valuation techniques for geothermal units that are presented using the revaluation model. The fair value of geothermal units is determined using the DCF method based on assumptions that are supported by observable market prices and rates. The estimated fair value of geothermal units consists of several assumptions that are not supported by observable market data, including the scope of the use of selling prices and discount rates. The carrying amount of the geothermal units that are estimated using valuation techniques as of December 31, 2015 approximates CAD 55,006 thousand (2014 - CAD 43,837 thousand). For more details of the assumptions used by the Group, see Note 12c.

e) **Taxes on income:**

The Group has transactions whose tax consequences are uncertain. The Group recognizes liabilities for the tax results from these transactions. Based on management estimates, which relies on professional advisors, regarding the timing and the amount of the tax liability arising from these transactions, if the resulting tax from these transactions is different from management estimates, the tax expense and the deferred tax liabilities will decrease/increase on the date the final assessment is determined.

c. **Consolidated financial statements:**

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions between the Company and the subsidiaries are eliminated in full in the consolidated financial statements.

d. **Foreign currency:**

1. **The functional currency and presentation currency:**

The financial statements of the Group companies are prepared in Canadian dollar, which represents currency of the primary economic environment in which they operate ("the functional currency"). The Group's consolidated financial statements are presented in Canadian dollar (see Appendix A to the translation of

the financial statements into NIS). As for exchange rates and changes therein during the presented periods, see Note 2a(4).

2. **Transactions, assets and liabilities in foreign currency:**
Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction.

e. **Cash and cash equivalents:**
Cash and cash equivalents consist of cash available for immediate withdrawal, deposits that are redeemable on demand and short-term deposits that are not restricted for use with an original maturity of three months or less from the date of investment.

Restricted and earmarked deposits
Cash that is restricted for use by the Group in respect of credit agreements or whose use is restricted to use for projects only are classified by the Group as restricted cash in the statement of financial position.

Deposits that are restricted for use and deposits with an original maturity date more than three months from the date of investment are classified as deposits under current assets.

Deposits that consist of security for interest payments ("Interest cushion") and payment of various expenses ("Expenses cushion") as part of the terms of the indenture of the bonds are presented as part of the restricted and earmarked deposits. See additional information in Note 4 restricted and earmarked deposits.

f. **Allowance for doubtful accounts:**
The allowance for doubtful accounts is determined in respect of specific debts whose collection, in the opinion of the Company's management, is doubtful. Impaired debts are derecognized when they are assessed as uncollectible.

g. **Inventories of condominiums under construction and real estate inventories:**
Cost of inventories of condominiums under construction and of real estate inventories includes identifiable direct costs attributable to the land such as taxes, fees and duties and construction costs. The Company also capitalizes borrowing costs as part of the cost of inventories of condominiums under construction from the period in which the Company commenced significant development work of the condominiums under construction. The costs are allocated among the condominiums based on expected condominium spaces.

Inventories of condominiums under construction and real estate inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, less borrowing costs and the estimated costs necessary to make the sale.

h. The operating cycle:

The Group has two operating cycles. The operating cycle of condominiums under construction is up to five years. The operating cycle of detached houses under construction is up to three years. The operating cycle of the remaining activities is one year. Accordingly, the assets and liabilities directly attributable to inventories of properties under construction (whether condominiums or detached houses) are classified in the statement of financial position as current assets and liabilities based on the operating cycle of each activity.

i. Financial instruments:

1. Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

Loans and receivables:

The Group has loans and receivables that are (non-derivative) financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans are measured based on their terms at amortized cost using the effective interest method. Short-term borrowings are measured based on their terms, normally at face value. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or when impairment is recognized in their respect, also as a result of the systematic amortization. As for recognition of interest income, see P.

2. Financial liabilities:

Financial liabilities at amortized cost:

Loans and other interest-bearing liabilities are initially recognized at fair value less directly attributable transaction costs, if any (such as loan raising costs). After initial recognition, loans, including debentures, are presented at their terms at amortized cost using the effective interest method which also takes into account the directly attributable transaction costs. Short-term borrowings (such as suppliers' credit and other payables) are presented at their terms, usually at face value. Gains and losses are recognized in profit or loss when the financial liability is derecognized and as a result of the systematic amortization.

3. Impairment of financial assets:

Financial assets are reviewed at the end of each reporting period for indicators of impairment. The Group assesses at the end of each reporting period whether there is any objective evidence of impairment of a financial asset or group of financial assets as follows:

Objective evidence of impairment of debt instruments, loans and receivables that are presented at amortized cost exists when one or more events that have occurred after initial recognition of the asset have a negative impact on the

estimated future cash flows. Evidence of impairment consists of indications that a debtor is experiencing financial difficulties such as illiquidity and inability to meet principal or interest payments. The amount of the loss recorded in profit or loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate is the current effective interest rate. In a subsequent period, the amount of the impairment loss is reversed if the recovery of the asset can be related objectively to an event occurring after the impairment was recognized.

j. Investment property:

An investment property is property (land or a building or both) held by the Group to earn rentals or for capital appreciation or both rather than for use in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss when they arise in under "fair value gain (loss) of investment property, net."

In determining the fair value of investment property, the Group generally relies on valuations performed by external independent valuation specialists who are experts in real estate valuations and who have the necessary knowledge and experience.

The direct costs of disposal of investment property are carried to profit or loss when the property is sold and offset from the gain from the sale. The difference between the proceeds from the sale of the investment property and its fair value represents the capital gain (loss) from the sale which is carried on the date of consummation of the sale transaction to profit or loss under "fair value gain (loss) of investment property, net".

The Company reclassifies items of inventories as investment property when the operating lease arrangements become effective. Upon the transfer of property which had been classified as an item of inventories to investment property, the difference between the fair value of the property on the date of reclassification and its carrying amount is recognized in profit or loss under "other income (expenses), net".

k. Property, plant and equipment:

1. General:

The Company's property, plant and equipment mainly consist of geothermal units that are used to earn income from heating and cooling the homes of tenants in projects the Company built in the past. These units are measured using the revaluation model. According to this model, the geothermal units are presented in the statement of financial position in revalued amounts. The revalued amounts represent the fair value of those assets on the date of revaluation which is determined according to market-based evidence in valuations performed by

expert appraisers, less subsequent accumulated depreciation and less subsequent accumulated impairment losses. Revaluations are performed on a regular basis and therefore the carrying amount of these assets is not materially different from the value that would have been determined as their fair value at the end of the reporting period. An increase in the carrying amount of items of property, plant and equipment as a result of the revaluation is carried to other comprehensive income, other than an increase that is recognized in profit or loss up to the amount of reversal of the loss as a result of the revaluation of these assets that had been previously recognized in profit or loss.

A decrease in the carrying amount of items of property, plant and equipment as a result of the revaluation is initially carried to other comprehensive income until the respective capital reserve is zero and any outstanding decrease is recognized in profit or loss. When a revalued asset is sold or decommissioned, the remaining revaluation surplus associated with that asset is directly carried to retained earnings.

Property, plant and equipment also consist of sales office pavilions that are presented at depreciated cost and are not revalued.

2. **Depreciation of property, plant and equipment:**
Geothermal units are systematically depreciated on a straight-line basis over their expected useful life once they are ready for their intended use. The Company's management estimates that the useful life of geothermal units is about 50-60 years.

The residual value, depreciation method and useful life of an asset are reviewed by the Company's management at each year-end. Any changes are accounted for prospectively as a change in accounting estimate.

Gains or losses from the sale or decommissioning of items of property, plant and equipment are determined as the difference between the proceeds from their sale and their carrying amount on the date of sale or decommissioning and are carried to profit or loss under "Other income (expenses), net".

3. **Subsequent costs:**
The cost of replacing part of an item of property, plant and equipment which can be reliably estimated is recognized as an increase in its carrying amount when incurred if the future economic benefits associated with the item are expected to flow to the entity. Current maintenance costs are carried to profit or loss as incurred.

l. **Borrowing costs in respect of qualifying assets:**
The Group capitalizes borrowing costs that are attributable to the construction of qualifying assets. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale, consisting of investment property under construction and inventories which require an extended period of time for their sale.

The capitalization of borrowing costs commences when expenditures for the asset are incurred, the activities to prepare the asset are in progress and borrowing costs are incurred and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete.
Income from temporary investments of specific borrowings obtained for investing in qualifying assets is deducted from the borrowing costs that qualify for capitalization.

All other borrowing costs are recognized in profit or loss as incurred.

In the statement of cash flows, the Group classifies cash flows from interest payments that are capitalized to qualifying assets as cash flows used in financing activities consistently with the Group's policy regarding interest payments in the statement of cash flows.

m. Impairment of non-financial assets:

At the end of each reporting period, the Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use.

An impairment loss of an asset is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

n. Taxes on income:

1. General:

Income tax expense (income) consists of total current taxes and the total change in the balances of deferred taxes, excluding deferred taxes arising from transactions carried directly to equity and transactions for the acquisition of rights in joint operations which constitute a business.

2. Current taxes:

Current tax expenses are computed based on the taxable income of the Company and its subsidiaries during the reporting period. The taxable income differs from the pre-tax income due to the inclusion or non-inclusion of items of income and expenses that are taxable or deductible in different reporting periods or that are not taxable or deductible. Assets and liabilities in respect of current taxes have been calculated based on the tax rates and tax laws enacted or substantially enacted as of the statement of financial position date. Prior to the transfer of the investees by the controlling shareholder, the tax liability of the investees was

settled by the controlling shareholder. Accordingly, the tax expense is carried against a corresponding increase in equity.

3. **Deferred taxes:**

The Group companies create deferred taxes in respect of temporary differences between the amounts of assets and liabilities for tax purposes and their carrying amounts. The balances of deferred taxes (assets or liabilities) are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax liabilities are generally recognized for all the temporary differences between the amounts of assets and liabilities for tax purposes and their carrying amounts. Deferred tax assets are recognized for all the temporary differences that are deductible up to the amount of expected taxable income against which the temporary differences can be utilized.

The Group does not create deferred taxes for temporary differences resulting from the initial recognition of goodwill or from the initial recognition of an asset or liability in the context of a transaction that is not a business combination when on the date of the transaction the initial recognition of the asset or liability does not affect the accounting income or the taxable income (tax loss).

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the Group's management estimates that the temporary differences that result from these deferred taxes are under the control of the Group and are not expected to reverse in the foreseeable future.

Deferred taxes are offset if the entity has a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxation authority and the Group intends to settle current tax assets and liabilities on a net basis.

Deferred taxes in respect of temporary differences relating to investment property are determined according to the tax rate that is expected to apply upon reversal of the temporary difference, assuming that this reversal will be through the sale of the asset.

p. **Revenue recognition:**

Following are the specific criteria for recognition of the relevant types of revenues:

1. **Revenues from sale of residential condominiums:**

Revenues from sale of residential condominiums are recognized with respect to the residential condominium when the principal risks and rewards of ownership have passed to the buyer. Revenues are only recognized when there is no longer any significant uncertainty involving the collection of the remaining consideration

in the transaction (which generally reaches between 75% and 80% of the total sale proceeds), when all the related costs are known and when the seller no longer retains continuing managerial involvement in the delivered residential condominium. This is usually met once construction has effectively been completed and the residential condominium has been delivered to the buyer.

2. **Rental income:**
Rental income is recognized on a straight-line basis over the lease term. Scheduled increases in rental fees over the term of the contract are recognized as income on a straight-line basis over the lease period.

3. **Interest income:**
Interest income in respect of financial assets is recognized on an accrual basis using the effective interest method.

4. **Revenues from geothermal units:**
The Company regularly recognizes revenues from providing heating/cooling services using the geothermal units based on actual consumption at the rates determined in energy supply agreements.

q. Provisions:

1. **General:**
Provisions are recognized when the Group has a legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources embodying economic benefits that can be reliably estimated will be used to settle the obligation.

The amount recognized as a provision reflects management's best estimate of the amount that will be required to settle the present obligation at the reporting date by taking into account the risks and uncertainties surrounding the obligation. When the provision is measured using the expected cash flows to settle the obligation, the carrying amount of the provision is the present value of the expected cash flows. Changes in the time value are recorded in profit or loss.

If some or all of the amount required to settle the present obligation is expected to be reimbursed by a third party, the Group recognizes an asset for the reimbursement up to the amount of the provision that was recognized only when it is virtually certain that the reimbursement will be received and it can be reliably estimated.

2. **Warranty provision:**
Provisions for warranty costs are recognized on the delivery date of the condominiums based on management's best estimate of the expenditures required to settle the Group's warranty obligation.

r. Selling, marketing and advertising expenses:

Expenses incurred in respect of advertising, sales promotion and marketing activities are recognized on the date of receiving the respective services by the Group.

Specific commissions in respect of sales contracts are carried to profit and loss on the date of recognition of the respective sale. Before the date of revenue recognition, the Company carries specific commissions in respect of sales contracts as deferred charges in other accounts receivable in the statement of financial position.

s. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

t. Joint arrangements:

1. General:

"Joint arrangement" is a contractual consent according to which the Group and other related parties undertake an economic activity that is subject to joint control. Joint control exists when the contractual arrangement includes a requirement that decisions about the financial and operating strategy of the transaction are accepted by the unanimous consent of the parties that control the arrangement collectively.

The joint arrangements into which the Company has entered represent "joint operations" - a joint arrangement in which the parties have rights to the assets and obligations for the liabilities relating to the arrangement.

In joint arrangements that represent joint operations, the Group recognizes its relative share of the joint operation's assets and liabilities, including any assets held jointly and any liabilities incurred jointly, in the statement of financial position. The statement of profit or loss includes the Group's relative share of the

joint operation's revenues and expenses, including revenues earned jointly and expenses incurred jointly.

Transactions between the Group companies and the joint operations held by the Company are only recognized to the extent of the other parties' share of the joint operation.

As for the acquisition of rights in a joint operation that constitutes a business (both first-time acquisition of rights and acquisition of additional rights in the same joint operation), see Note t(2).

2. **Acquisition of rights in joint operation that constitutes a business:**
The acquisition of rights in a joint operation that constitutes a business, both first-time acquisition of rights and acquisition of additional rights in the same joint operation, is measured using the acquisition method at the Group's relative share of the joint operation's assets and liabilities pursuant to IFRS 3 with the necessary adjustments:

- The cost of the business combination is measured at the aggregate fair market value (on the acquisition date) of the assets granted, liabilities incurred, equity instruments issued by the Group in return for achieving joint control in the acquired operation, the fair value of the Group's interests in the acquired operation prior to the business combination.

- Transaction costs that are directly attributable to the business combination are carried to profit or loss as incurred.

- The identifiable assets and liabilities of the acquired business which meet the recognition criteria in IFRS 3 (Revised), "Business Combinations" are recognized at fair value on the acquisition date, excluding several types of assets which are measured according to the provisions of the relevant standards.

- Goodwill arising from the acquisition of rights in the joint operation is measured at the amount of the excess of cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the joint operation that have been recognized on the acquisition date.

As for the testing of impairment of goodwill, see Note u
As for the amendment to IFRS 11, "Joint Arrangements", see note 3b.

3. Testing whether purchase or sale of rights in joint activities is a business:
When a property company is acquired, the Group uses judgment in testing whether this is an acquisition of a business or property, in order to determine the accounting treatment of the transaction. When testing whether the said interests are a business, the Group examines, among other things, the nature of the existing processes in the joint activity, the characteristics and complexity of the processes in the sold/acquired activity, among other things – the number of

residential units in the project and its complexity, and the existence of marketing, planning and construction processes. Transactions where the acquired company is a business are handled as a business combination as described above. However, transactions where the acquired company is not a business are handled as the acquisition of a group of assets and obligations. In such transactions the cost of acquisition, including transaction costs, is allotted proportionately to the recognized asserts and obligations that were acquired, based on their proportional fair value at the time of the acquisition. In the latter case, goodwill is not recognized and also deferred taxes due to temporary differences that exist at the time of acquisition are not recognized.

u. **Goodwill:**

Goodwill arising from the acquisition of a business is measured as the excess acquisition cost over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary which are recognized on the acquisition date. Goodwill is measured based on the alternatives described below and specifically determined for each business combination.

Goodwill is initially recognized as an asset at cost and subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the business combination. The cash-generating units to which the goodwill is allocated are tested for impairment annually or more frequently if there are indicators that the cash-generating unit may be impaired. When the recoverable amount of the cash-generating unit is lower than its carrying amount, the impairment loss is first recognized as a decrease in the carrying amount of any goodwill to which the cash-generating unit is allocated and any remaining impairment loss is allocated to the other assets of the cash-generating unit pro rata to their carrying amount. Impairment losses are not reversed in subsequent periods.

Upon the disposal of a subsidiary, the amount of goodwill attributed to that subsidiary is included in determining the gain or loss from the disposal.

The goodwill in the Company's books was allocated to the Downsview project whose carrying amount as of December 31, 2015 is CAD 1,961 thousand (2014 - CAD 1,961 thousand).

v. **Classification of interest and dividends paid/received in cash flow report:**

The Group classifies cash flows due to interest and dividends it receives as cash flows from investment activity, and cash flows due to interest paid as cash flows used for financing activity. Cash flows due to taxes on income are classified as cash flows used for ongoing activity. Dividends paid by the Group are classified as cash flows from financing activity.

Note 2A – Retroactive adjustment due to changes in pro forma assumption

The Company's pro forma consolidated financial statements for Dec 31, 2014 were prepared under a pro forma assumption reflecting an assignment to the company of the right to obtain

loans from corporations held by the right holders as an owners' contribution in the amount CAD 8 million. In the financial reports for Dec 31, 2015 and close to the completion of the placement, the controlling shareholder transferred to the Company the right to obtain loans from corporations held by right holders as an owners' contribution. For further information see Note 22.

Note 3 – New financial reporting standards, published interpretations and Amendments to standards

A. Amendments to standards that impact the present and/or previous reporting periods:

- **Amendment IAS 16 "Fixed assets" and Amendment IAS 38 "Intangible assets" (in respect to adjustment to accumulated depreciation at the time of application of revaluation model):**
  The Amendments clarify that the gross carrying value of the asset should be updated consistently with the revaluation of the asset in property's books. And the accumulated depreciation is the difference between the updated gross book value and the book value after deduction of accumulated losses from impairment.

  The Amendments are applied to annual periods starting July 1, 2014 or later (an early application is possible) for all revaluations that were recognized in the annual reporting period where the Amendments are applied the first time (2015), and in the previous reporting period (2014).

  This Amendment has no impact on the accumulated depreciation adjustment method related to geothermal properties that are handled by the revaluation method.

- **IFRS 8 Amendment "Operating segments" (in respect to disclosures about segment aggregation)**
  The Amendment requires to add disclosure of the consideration used by management when aggregating operating segments to present them as reportable segments, including brief descriptions of the aggregated operating segments and the issues assessed in order to determine whether the operating segments are similar in their economic characteristics. Additionally, the Amendment clarifies that there must be a match between the total assets of the reportable segments and the entity's assets only if segment assets are regularly reported to the chief operational decision maker. The Amendments shall be applied retroactively to annual reporting periods starting July 1, 2014, or later.

  See disclosure of the considerations applied when operating segments were consolidated in Note 23, segment reporting.

- **Amendment IAS 40 "Investment property" (about the distinction between property for investment and business):**
  The Amendment clarifies that there must be consideration when determining whether the purchase of property for investment consists of the purchase of a property/group of properties or a business combination, which come sunder IFRS 3. It is clarified that the consideration whether this is business combination is not based on the distinction between fixed assets and property for investment described in IFRS 40, but it should be determined whether this is a business subject to the provisions of IFRS 3. The Amendment shall be applied "prospectively" for annual periods starting July 1, 2014 and onwards. It is possible to apply retroactively, based on a single transaction, provided the required data is accessible.

B. Standards, interpretations and amendments to standards that are published and not valid, and were not adopted in early adoption by the Group, which are expected to have or may have impact on future periods:

- **IFRS 9 – Financial Instruments**

General:
The International Financial Reporting Standard IFRS 9 (2014) "Financial Instruments" (the standard) is the final standard of the financial instruments project. This standards voids the previous stages of IFRS 9 published in 2009, 2010, and 2013. The final standard includes provisions for classification and measurement of financial instruments that were amended relative to those published in the first stage in 2009, and also, it includes the classification and measurement provisions for financial obligations as published in stage 2 in 2010, and offers a more up-to-date, principle based model for hedge accounting and presents a new model to examine projected loss from impairment, as described herein. Also, the standard cancels the IFRIC 9 interpretation, "Re-examination of embedded derivatives".

Financial Assets:
The standard determines that financial assets shall be recognized and measured as follows:

- After initial recognition, debt instruments will be classified and measured by one of the following alternatives: at amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The measurement model will be determined based on the entity's business model for managing financial assets and on the contractual cash flows characteristics resulting from these financial assets.

- A debt instrument can be designated when according to the test it is measured at amortized cost or at fair value through comprehensive income other than fair value through profit or loss, only when the designation cancels inconsistency in recognition and measurement that would have been created if the asset had been measured at amortized cost or at fair value through other comprehensive income.

- Equity instruments will be measured at fair value through profit or loss.

- On the date of initial recognition, equity instruments can be designated to fair value when gains or losses are carried to other comprehensive income. Instruments that are designated in such a manner will no longer be subject to impairment testing and gains or losses in their respect will not be carried to profit or loss, including upon disposal.

- Embedded derivatives will not be separated from a host contract that meets the criteria in the Standard. Instead, mixed contracts will be measured as a whole at amortized cost or at fair value based on the business model and contractual cash flow tests.

- Debt instruments will be reclassified only when the entity changes its business model for managing financial assets.

- Investments in equity instruments without a quoted market price in an active market (including derivatives on such instruments) will only be measured at fair value. The alternative measurement by cost under certain circumstances has been cancelled. Nevertheless, the standard prescribes that under certain circumstances cost may be a proper estimate of fair value.

Financial liabilities:
The Standard also prescribes the following provisions for financial liabilities:

- The change in fair value of a financial liability that has been designated upon initial recognition at fair value through profit or loss that is attributed to the changes in the liability's credit risk will be carried directly to other comprehensive income unless this creates or increases accounting mismatch.

- When the financial liability is repaid or settled, amounts carried to other comprehensive income will not be classified to profit or loss.

- All derivatives, whether assets or liabilities, will be measured at fair value through profit or loss, including a derivative financial instrument that forms a liability associated with an unquoted equity instrument whose fair value cannot be measured reliably.

Application date and possible early application:
The Standard's mandatory application date is for annual reporting periods beginning on January 1, 2018 or later. Early application is possible.

At this stage, the Company's management is unable to assess the effect of the application of the Standard on its financial position and operating results.

- **IFRS 15, Recognition of Revenue from Contracts with Customers**

The new standard sets a comprehensive and unified mechanism to arrange the way accounting handles income derived from contract with customers. The Standard replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts", and their accompanying interpretations. The core principle of the standard is that recognition of revenue shall reflect the transfer of goods or services to customers in an amount representing the economic benefits the entity expects to receive in exchange. Therefore, the standard provides that recognition of income shall occur when the entity transfers to the customer the goods and/or services listed in the contract so that the customer obtains control of the same goods or services.

The Standard introduces a five-step model for the application of this principle:

1. Identify the contract with the customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognize revenue when the entity satisfies a performance obligation.

Application of the model depends on the facts and circumstances of the contract and requires, in some cases, wide ranging consideration.

Also, the standard sets wide ranging disclosure requirements in respect to contracts with clients, the significant estimates and changes in those estimates that were used when the standard's provisions were applied, this in order to enable users of the financial statements to understand the nature, quantity, timing and reliability of revenues and cash flows derived from contracts with customers.

The Standard is to be mandated for annual reporting periods beginning on or after January 1, 2018. Early application is permitted. As a rule, the standard shall be applied retroactively, but entities may choose to apply certain adjustments within the framework of the transition provisions of the standard in respect to its application to previous reporting periods.

At this point the Company is evaluating the possible impact of the Standard on its contracts and on the way revenue from them is recognized. This evaluation has not yet been completed.

- **Amendment to IFRS 11, "Joint Arrangements" (regarding the acquisition of interests in a joint operation):**

According to the Amendment, a joint operator will account for the acquisition of rights in a joint operation based on the principles of the acquisition method in IFRS 3, "Business Combinations", if the acquired joint operation constitutes a "business", as defined in IFRS 3. The Amendment will be applied "prospectively" in annual reporting periods beginning on January 1, 2016. Early application is permitted.

NOTE 4:- DEPOSITS

a. Restricted and earmarked deposits:

1. Amounts that are held in banks in restricted deposits for the Company. The deposits are from condominium buyers and have been earmarked for investments in construction projects.

2. Restricted deposit – Owners' Contribution:
   - Net amount of approx. 11,747 thousand CAD (CAD 12 million, less fees and expenses) was deposited in an account of a wholly owned subsidiary of the Company ("the account") in cash on Dec 31, 2015.
   - In order to provide the owner's contribution to the company, the controlling shareholder obtained a loan from a financial institution in Toronto ("the lender") against a charge on assets of related corporations ("the loan", "the pledged assets"). Prior to providing the moneys, the controlling shareholder and the lender agreed to restrictions on use of the moneys and among other things the lender received the right to be joint signatory in the account where the moneys were deposited ("the restricting conditions").
   - On March 8, 2016, the controlling shareholder entered into a new deal with the lender, by which the lender provided the controlling shareholder a loan of approx. CAD 10 million (instead of the CAD 12 million which were repaid to the lender when the loan deal was cancelled) ("the new loan") against a charge on the pledged assets, which, together with other amounts to be put into the company will total amount CAD 12,000 thousand, without any restricting conditions. [redacted]
   - The said amount of CAD 12,000 thousand net was deposited in the Company's account on March 10, 2016.
   - In the financial reports, the owners' contribution of CAD 11,747 thousand is presented as part of the restricted use deposits section in the financial position report; it should be noted that as of the date of said transfer and at the time of publication of the 2015 financial statements, the restrictive conditions have been removed.

3. **Restricted Deposit – Interest Cushion and Expenses Cushion**
   - Interest cushion – as part of the conditions of the indenture, the company transferred an amount equal to the first interest payment that is expected to be paid to bond holders to the trustee, at a bank account he had opened under his name in trust for the bondholders. For further information, see item 5.7 of the Bonds (series A) indenture, attached to the 2015 prospectus.

The amount in the interest cushion account on the report's date is presented as part of the earmarked and restricted deposits and is approx. CAD 2.9 million.

Expense Cushion – the expense cushion, as part of the provision of the indenture, is meant to be used for payment of ongoing expenses and management expenses of the trustee in case the bonds (series A) shall be put up for immediate redemption and/or in case the company breaches the provisions of the indenture. The amount of the expenses cushion shall be held in the interest cushion account until the date of complete and final redemption of the bonds (series A). The amount in the expenses cushion on the date of the report is presented as part of the earmarked and restricted deposits and is approx. CAD 100,000.

b. **Customer deposits held in trust:**
Condominium deposits that are held in trust and used by the Company for the construction of the project.

NOTE 5:- OTHER ACCOUNTS RECEIVABLE

a. **Composition:**

	December 31,	
	2015	2014
	CAD in thousands	
Open accounts	10,884	5,495
Institutions	2,511	995
Deferred charges (*)	333	2,817
	13,728	9,307

(*) Deferred charges are related to specific marketing commissions.

NOTE 6: INVESTMENTS IN JOINT OPERATIONS

a. The following projects included in these pro forma consolidated financial statements represent the Company's proportionate share in co-ownership interest:

		Percentage of ownership for Dec 31	
		2015	2014
Company	Type of activity	%	%
Kings Club (2) (3)	Residential+retail	50	50
Fuzion (3)	Residential+retail	50	50
1071 King (3)	Residential	50	50
Downsview Park Homes Mattamy (1)	Residential	51	51
836 St. Clair	Residential	40	40

B (1) (a) In July 2013, the Company sold 49% of the project in consideration of CAD 24.5 million. Actually, the amounts were paid to a company that is controlled by the controlling shareholder and recorded as part of the distribution made by the Company to its controlling shareholders. As a result of the business, the Company recognized a gain from the sale of its interests and the presentation of its remaining interests in the project which amount totals CAD 28.4 million (CAD 7.4 million as revaluation of the Company's remaining interests in the project and CAD 21 million in respect of the difference between the consideration for the sale and the carrying amount of the investment). The Company's remaining interests in the project company constitute a business as defined in IFRS 3, "Business Combinations".

Accordingly, the Company recognized the fair value of the assets and liabilities; the amount of CAD 9.7 million that was attributable to fair value adjustment to advances for land and CAD 1.9 million that was included in deferred tax liability and goodwill attributable to the project in its entirety.

On June 1, 2015, the property company completed the acquisition of the land and the plots and the respective funding, see Note 6b(1)(c) herein.

(b) In the context of an amendment to the agreement signed between the Company and the partner in the Downsview project of November 14, 2014, the parties agreed to enter negotiations for the sale of the Company's share to the partner. On the date of signing the amendment to the agreement, the partner paid the Company an advance on account of the consideration for the sale that will be later agreed upon between the parties in the amount of approximately CAD 4,500 thousand ("the advance"), which is secured by the Company's interests in Downsview project. The advance represents a loan between the partner and the Company with annual interest of about 15%.

In the context of the amendment to the agreement as above (as revised from time to time), it was agreed that to the extent that no final agreement is reached regarding the terms of sale (including the consideration for the sale) by November 15, 2015, the Company will refund the partner the advance. The partners have extended the negotiation period or refund of the advance until December 24, 2015. On December 24, 2015 the above advance was refunded in full by the Company using the receipts of the bond placement. As of the date of signing the financial statements, the negotiation period was not extended and the transaction did not mature.

(c) On August 3, 2011, a jointly controlled investee entered into two agreements for the acquisition and sale of development lands owned by the Canadian Government. One agreement is for the acquisition of about 1,279,342 sq. ft. of construction land ("the land") for CAD 40,097 thousand ("the land purchase agreement") and the other for the acquisition of plots

to build 29 single family units ("the plots") in an area of about 1,188 linear feet ("the plots").

On June 3, 2015, the property company completed the acquisition of the land and funding which amount totals approximately CAD 46,157 thousand as follows:

1. The property company took a vendor take back (VTB) mortgage from the seller which amount totals approximately CAD 36,925 thousand with interest of 0%;

2. The property company received credit for the advance in a total of approximately CAD 4,097 thousand which was paid to the seller upon signing the land purchase agreement (50% of said consideration was paid by the partner, as explained below);

3. Another advance paid by the property company in a total of approximately CAD 3,476 thousand will be offset against the purchase consideration;

4. A total of approximately CAD 1,659 thousand had been transferred to the property company in connection with the affordable housing project. It is indicated that this project must include at least 113 affordable housing units, of which 60 stacked town houses and 53 condominiums according to the rules set forth by the CMHC (Canada Mortgage Housing Corporation), consisting mainly of the specific size of the units and rental fees per sq. ft. It is indicated that as of the date of the financial statements, the Company expects to meet these conditions in view of the project's planning model.

Also, on the same date, June 3, 2015, the property company completed the purchase of the plots and funding which amount totals approximately CAD 8,767 thousand as follows:

1. The property company took a vendor take back (VTB) mortgage from the seller which amount totals approximately CAD 7,014 thousand with interest of 0% (the seller of the property gives the buyer of the property a loan);

2. The property company received credit for the advance in a total of approximately CAD 838 thousand which was paid to the seller upon signing the agreement for the plots;

3. Another advance paid by the property company in a total of approximately CAD 915 thousand will be offset against the purchase consideration.

(2)

On July 28, 2015, the Company entered an agreement ("the sale agreement") through Urbancorp New King Inc. and the partner in Kingsclub project ("the project") as one party and Capreit Limited Partnership, an unrelated third party, as the other party ("the buyer") to sell unspecified interests in one-third (1/3) of each of the condominium units

in the project (and related rights including existing lease agreements and parking spaces for these condominium units) ("the sold interests") in consideration of approximately CAD 60,333 thousand. In the framework of the sale agreement, First Capital Realty issued a guarantee for fulfilling the Company's and partner's obligations in connection with the agreement.

Selling the sold interests to the buyer will be carried out based on a mechanism specified in the sale agreement such that the rights to all revenues, benefits and assets arising from the unspecified interests in one-third (1/3) of each of the condominium units in the project on a floor-by-floor basis will be assigned to the buyer, at the most once in each quarter on the date of completion of construction of each floor. It is clarified that according to the sale agreement, the ownership rights in the parts that are transferred to the buyer out of the condominiums and the parking spaces will be transferred to the buyer 30 days after the receipt of an occupancy certificate in relation to the last floors of the relevant condominium.

Also, the sale agreement determines that charges by virtue of loans in connection with the first building will be removed by the date of delivery of the ownership to the condominium units in the first building to the buyer, which was determined to be by December 31, 2018. It is indicated that all charges in connection with the second and third buildings will be removed by the date of transfer of ownership to the buyer of the condominium units of the second and third buildings, as appropriate.

According to the sale agreement, if the loan for the acquisition is available for immediate repayment and the securities in connection with that loan are realized, the buyer will be entitled to acquire half of the interests in the condominiums which are realized by First Capital Realty in consideration of the higher of (1) price reflecting half of the value of such rights and (2) half of the unpaid principal and interest on the loan for the acquisition.

Also, on July 28, 2015 a management agreement was signed between the Company, through Urbancorp New King Inc. and the partner as one party, with the buyer, as the second party, ("the property management agreement"), by which the partner will provide management services in relation to the condominium units (except common areas in the residential buildings as defined in the property management agreement) including, among other things, contracting agreements (including rental agreements), management of the rental agreement system in the residential units, maintenance of the residential units, etc. ("the management services"). In consideration of the management services the buyer will be eligible to receive a monthly payment equal to 4% of the rental income derived from the residential units.

The buyer will bring an annual budget for approval by the Company and partner, detailing the current and capital expenses that have to be done that year in respect to the residential units.

The management agreement will come into effect closely before the occupancy certificate for the first residential floors in the project is obtained.

The period of the agreement is not time-limited, and the parties may terminate it early in the following cases, among others: 1. A breach of the management agreement beyond the remedy period set in the property management agreement; 2. Entering liquidation or bankruptcy proceedings; 3. Fraud, theft, gross negligence or similar acts by the buyer (subject to the remedy period as defined in the property management agreement); 4. Assigning the buyer's rights under the property management agreement, unless to an authorized assignee, without consent of the Company and partner; 5. If the buyer does not purchase his part in the condominiums on the relevant completion date (partial exception from the property management agreement of condominiums not purchased by him); and 6. Transfer of the condominiums (all or some of them) by either party to the property management agreement (in respect to the transferred part).

The sale agreement determines that decision making in respect to the following issues, among others, shall be unanimously approved at the management committee that will be appointed at the time the sale agreement is made, consisting of representatives of the Company, the partner and the buyer (that is, 3 members in total): 1. Changes or amendments in respect to the identity of the construction contractor, construction manager or architect of the residential buildings, the building plans and the provision of services to the residential buildings; 2. Obtaining funding for the project that is not a charge to the loan taken to build the project; 3. Change in occupancy restrictions in respect to the residential buildings; 4. Transfer of rights in the condominiums in the project and their attached rights, except for transfers to authorized assignees in accordance with the sale agreement; 5. Setting an annual budget; 6. Expenses over CAD 10,000 that are not related to the construction of the residential buildings; 7. Changes to the wording of the partnership agreement. The Company and partner verbally agreed that the decision-making mechanism in accordance to the partnership agreement (as detailed above) shall have priority over making a decision in accordance with the sale agreement. That is, in case a decision requires unanimous approval both according to the partnership agreement and to the sale agreement, said decision shall be brought for approval to the partner and the Company in accordance with the partnership agreement, and following that it will be approved by the management committee as specified in the sale agreement (that is, by unanimous decision of the Company, the partner and the buyer).

Closely following the first transfer of ownership pursuant to the sale agreement, as the case may be, the parties will sign a partnership agreement in respect to the residential units ("the future partnership agreement"), while until that time the Company and the partner will continue to manage the residential units as will be agreed between them. The future partnership agreement determines that making decisions in respect to the issues listed herein, among others, shall be made unanimously by the management committee that will be appointed pursuant to the future partnership agreement, to be made up of one representative each of the Company, the partner and the buyer (that is, 3 members in total): 1. The purchase of new properties; 2. The disposition or encumbrance of the condominiums; 3. Entering funding agreements; 4. Approval of significant structural changes to buildings; 5. Setting annual budgets; 6. Changes in the wording of the future partnership agreement.

The framework of the future partnership agreement determines that the division of profits from the current cash flow of the project shall be in equal parts to the Company, the partner and the buyer.

(3) For further information on transactions with corporations controlled by First Capital Realty after the statement date, see Note 24.

NOTE 7:- INVESTMENTS IN INVESTEES

The Company holds subsidiaries in Toronto, Canada:

	Type of activity	Percentage of ownership on Dec 31	
		2015	2014
		%	%
Lawrence	Residential	100	100
Urbancorp Residential	Residential	100	100
Mallow	Residential	100	100
952 Queen St. Co Tenancy (1)	Residential	100	100
Patricia	Residential	100	100
Edge Residential	Residential	100	-
King Residential	Residential	100	100
Edge on Triangle Park Inc (2)	Residential+commercial	100	67
Urbancorp – The Bridge	Residential	100	100
Caledonia (St. Clair Village)	Residential	100	100
Vestaco Homes	Geothermal	100	100
Vestaco Investments	Geothermal	100	100
Urbancorp Investco	Holdings	100	-
Urbancorp Realco	Holdings	100	-

(1)

A. In April 2014 the company gained control after its purchase of the partner's part of the land in the project in accordance with the land value at the time.

B. On August 11, 2015, the property company holding the property known as 952 Queen entered an agreement with a third party, unrelated to the company, to sell the project (including its yield bearing and entrepreneurial part) in consideration of CAD 14,500 thousand. The deal was completed on October 19, 2015. Gain due to the entrepreneurial part is CAD 181 thousand and is presented as part of the Raw Profit section due to "Sale of condominiums and retail areas". The gain for the yield bearing part is approx. CAD 232 thousand and is presented as part of the section "Increase (decrease) in value of investment property, net".

(2) On June 22, 2015, the company entered an agreement with a third party which is not related to the company, holding 33.33% of a mixed project that includes a yield bearing component, a development component and a geothermal system, known as Edge ("Edge"). In this agreement, the balance of assets in Edge were divided so that the company will hold 100% of the geothermal property, 53 residential units, the commercial area and office area. In parallel to this deal, the controlling shareholders entered a transaction with the same third party to divide an additional project between the parties. The difference between the fair value of properties and obligations given and received from the said projects, respectively, was recorded to equity as owners' contribution. On July 6, 2015, the transacrtion was completed.

The following is the fair value of the consideration at the time of the acquisition

	Thousands CAD
Cash	-
Transfer of condominiums, parking spots and storage lockers	4,307
Consideration paid through transfer of assets owned by controlling shareholder	3,283
Total consideration transferred	7,590
Fair value of the investment in the joint activity that existed prior to combining the businesses	16,350
Total	23,940

The company recognized a profit of approx. CAD 5,839 thousand as a result of measurement in fair value of its rights at the rate of 66.67% of the joint activity Edge that were held prior to the combining of the business. The gain from obtaining control of joint activity is included in the section "Other income (expenses), net". (Following – description of the impact of goodwill impairment).

Completion of allocation of the cost of acquisition, Edge:

As of these financial reports the Company has completed allotting the cost of acquisition to assets, liabilities and contingent liabilities of Edge:

	Thousands CAD
Investment property	28,440
Goodwill	4,817
Property, plant and equipment	19,430
Other assets	10,252
Deferred taxes liabilities	(4,834)
Other liabilities	(34,164)
Total recognizable assets, net	23,940

Goodwill:

As indicated above, in the acquisition of Edge the Company gained goodwill in the amount CAD 4,817 thousand. In view of the fact that the Company cannot justify this goodwill, the Company deducted it against a decrease in the profit from gaining control of joint activity.

NOTE 8:- INVENTORIES OF BUILDINGS FOR SALE

Inventories of buildings for sale comprise projects owned in Toronto for the construction of residential units.

a. **Composition of inventories of buildings for sale:**

	December 31,	
	2015	2014
	CAD in thousands	
Cost of land	83,314	56,915
Construction cost	3,615	39,137
Capitalized borrowing costs	13,809	10,969
	100,738	107,133
Carrying amount of inventories of buildings for sale that are expected to be sold within a period beginning one year after the end of the reporting period	100,738	62,065

b. **Changes in the reporting periods:**

	December 31	
	2015	2014
	CAD in thousands	
Balance at January 1	107,133	108,106
Additions	50,468	51,240
Inventory transferred to investment property	(7,000)	(1,140)
Costs added to the statement of profit or loss	(49,863)	(51,073)
Balance December 31	100,738	107,133

c. **Additional information:**

As of the date of the financial statements, inventories of buildings for sale comprise 5 properties in Toronto, Canada.

NOTE 9:- INVESTMENT PROPERTY UNDER CONSTRUCTION

a. **Movement:**

	December 31,	
	2015	2014
	CAD in thousands	
Balance at the beginning of the year	50,802	31,463
Additions during the year:		
Additions	21,525	17,354
Reductions (*)	(5,721)	-
Fair value gain (loss) of investment property	(6,781)	1,984
Balance at December 31	59,825	50,802

(*) See note 7(1)b

c. Investment property under construction is measured at fair value of items classified within level 3 as determined based on a valuation performed by an external independent valuation expert who holds recognized professional qualifications and who has vast experience in the location and category of the property being valued. The fair value of properties that are land was determined based on the market method - direct comparison approach. The fair value of the remaining properties was determined based on assessment method that considers the fair value of the land according to its current condition at the time, using the comparison method, with addition of the costs accumulated at the time of assessment.

d. **Significant assumptions (on the basis of weighted averages) used in the valuations are presented below:**

As of December 31, 2015:

Project name	Fair value (CAD in thousands)	Price per sq. ft. in similar transactions (CAD in thousands)	Building rights on land (thousands of sq. ft.)
1071 King – residential	7,400	54-91	192
836 St. Clair – residential	2,480	66-91	116
Downsview Park Homes Mattamy – residential	3,545	39-118	56

Project name	Fair value (CAD in thousands)	Capitalization rate (%)
Kingsclub - retail	30,933	4%-5.5%
Kingsclub - residential	15,467	4%-5.5%

As of December 31, 2014:

Project name	Fair value (CAD in thousands)	Price per sq. ft. in similar transactions (CAD in thousands)	Building rights on land (thousands of sq. ft.)
952 Queen – retail	4,069	78-117	54-250
1071 King – residential	7,293	78-117	54-250
St. Clair – residential	2,480	78-117	54-250

Project name	Fair value (CAD in thousands)	Capitalization rate (%)
Kingsclub – retail	22,626	4%-5.5%
Kingsclub – residential	14,334	4%-5.5%

e. **Sensitivity analysis:**

Below is the sensitivity analysis of the value of investment property under construction at the capitalization rate as of December 31, 2015:

- Increase in capitalization rate of 50 points above fair value adjustment results in fair value loss of approximately CAD 36,204 thousand.

- Decrease in capitalization rate of 50 points below fair value adjustment will result in fair value gain of approximately CAD 53,276 thousand.

NOTE 10:- INVESTMENT PROPERTY

a. **Movement:**

	December 31,	
	2015	2014
	CAD in thousands	
Balance at the beginning of the year	8,871	7,831
Additions during the year:		
Additions	9,063	298
Reductions	(7,208)	-
Transfers of real estate inventories to investment property	19,053	1,140
Fair value gain (loss) of investment property	(93)	(398)
Balance at December 31	29,686	8,871

b. **Composition:**

	December 31,	
	2015	2014
	CAD in thousands	
Residential	19,713	8,871
Retail	9,973	-

As of the date of the financial statements, investment property comprises 4 income producing properties in Toronto, Canada.

c. Investment property is measured at fair value of items classified within level 3 as determined based on a valuation performed by an external independent valuation expert who holds recognized professional qualifications and who has vast experience in the location and category of the property being valued. The fair value was determined based on the market method – comparison approach.

d. **Significant assumptions (on the basis of weighted averages) used in the valuations are presented below:**

As of December 31, 2015:

Project name	Fair value (CAD in thousands)	Capitalization rate (%)	Long-run occupancy rate (%)	Representative rentals per sq. ft. per month (CD)
Bridge – residential	3,600	6.40%	100%	2.46
Curve – residential	3,137	6.47%	100%	2.45
Westside – residential	2,260	6.37%	100%	2.46
Edge – residential + retail	20,689	6.24%	100%	2.72

As of December 31, 2014:

Project name	Fair value (CAD in thousands)	Capitalization rate (%)	Long-run occupancy rate (%)	Representative rentals per sq. ft. per month (CD)
Bridge	3,560	6.42%	100%	2.44
Curve	3,110	5.88%	100%	2.46
Westside	2,201	6.54%	100%	2.46

e. **Sensitivity analysis:**
Below is the sensitivity analysis of the value of investment property and the capitalization rate as of December 31, 2015:

- Increase in capitalization rate of 50 points above fair value adjustment results in fair value loss of approximately CAD 18,998 thousand.

- Decrease in capitalization rate of 50 points below fair value adjustment will result in fair value gain of approximately CAD 22,262 thousand.

NOTE 11:- REAL ESTATE INVENTORIES

Composition:

	December 31,	
	2015	2014
	CAD in thousands	
Advances on account of land (*)	-	14,386
Long-term inventories	18,284	19,968
Balance at December 31	18,284	34,354

(*) On June 1, 2015, at Downsview Project, the property company completed acquisition of the land and its funding. More information see Note 6b(1)(c) herein.

NOTE 12:- PROPERTY, PLANT AND EQUIPMENT

a. Composition and movement:

	Geothermal units	Sales office pavilion	Total
	CAD in thousands		
Balance:			
At January 1, 2015	48,837	9,620	53,457
Changes during the year:			
Additions	6,726	153	6,879
Revaluation of property, plant and equipment	4,443	-	4,443
Balance at December 31, 2015	55,006	9,773	64,779
Balance:			
At January 1, 2015	-	4,679	4,679
Changes during the year:			
Depreciation expenses	816	2,567	3,383
Reversal of depreciation resulting from revaluation	(816)	-	(816)
Balance at December 31, 2015	-	7,246	7,246
Depreciated cost at December 31, 2015	-	2,527	2,527
Fair value at December 31, 2015	55,006	-	55,006
Book value of property, plant and equipment at December 31, 2015	55,006	2,527	57,533

Composition and movement: (continued)

	Geothermal units	Geothermal units in progress	Sales office pavilion	Total
	CAD in thousands			
Balance:				
At January 1, 2014	24,141	8,053	8,307	40,501
Changes during the year:				
Additions	-	2,815	1,313	4,128
Disposals	(187)	-	-	(187)
Transfers of assets in progress to assets in use	10,868	(10,868)	-	-
Revaluation of property, plant and equipment	9,015	-	-	9,015
Balance at December 31, 2014	43,837	-	9,620	53,457
Balance:				
At January 1, 2014	-	-	2,842	2,842
Changes during the year:				
Depreciation expenses	577	-	1,837	2,424
Reversal of depreciation resulting from revaluation	(577)	-	-	(577)
Balance at December 31, 2014	-	-	4,679	4,679
Depreciated cost at December 31, 2014	-	-	4,941	4,941
Fair value at December 31, 2014	43,837	-	-	43,837
Book value of property, plant and equipment at December 31, 2014	43,837	-	4,941	48,778

b. The geothermal units are measured at fair value of items classified within level 3 as determined based on a valuation performed by an external independent valuation expert who holds recognized professional qualifications and who has vast experience in the location and category of the asset being valued. The fair value was determined based on the expected future cash flows from the asset. In assessing cash flows, their structured risk is taken into account as well as limits with respect to income and they are discounted by a yield that reflects the risks underlying cash flows which is determined using the specific characteristics of the asset and the level of future income therefrom.

c. **Significant assumptions (on the basis of weighted averages) used in the valuations of geothermal units are presented below:**

As of December 31, 2015:

Project name	Fair value (CAD in thousands)	Capitalization rate (%)
Bridge	22,281	4.00%
Curve	3,420	4.00%
Edge	24,102	4.00%
Fuzion	4,663	4.00%

As of December 31, 2014:

Project name	Fair value (CAD in thousands)	Capitalization rate (%)
Bridge	22,740	3.85%
Curve	3,630	3.85%
Edge	12,787	4.85%
Fuzion	4,680	3.85%

d. **Sensitivity analysis:**

Below is the sensitivity analysis of the value of geothermal units and the capitalization rate:

- Increase in capitalization rate of 50 points above fair value adjustment results in fair value loss of approximately CAD 52,210 thousand.

- Decrease in capitalization rate of 50 points below fair value adjustment will result in fair value gain of approximately CAD 67,128 thousand.

e. **Additional information about items of property, plant and equipment that are measured using revaluation model:**

Assuming that the items of property, plant and equipment of the Group were presented using the cost model, their carrying amounts would have been:

	December 31,	
	2015	2014
	CAD in thousands	
Geothermal units	22,690	15,432

NOTE 13:- LOANS FROM FINANCIAL CORPORATIONS AND OTHERS

a. Composition:

	Interest rate	December 31,	
		2015	2014
	%	CAD in thousands	
Loans from financial corporations	(1)	28,930	84,809
Loans from others - secured	(2)	69,011	37,880
Loans from others - unsecured	(2)	-	53,854
		97,941	176,543

(1) Fixed rate loans with banks require monthly interest payments at rates ranging from 2.99% to 3.59% per annum with maturity periods from 1 to 6 years. Variable rate loans require monthly interest payments at rates ranging from P+1.10% to P+7.00% (as of December 31, 2015 the Prime rate was 2.70%).

(2) Fixed rate loans with finance companies require monthly interest payments at rates ranging from 10% to 18% per annum with maturity periods from 1 to 3 years except:

Downsview Park Homes Inc. owes CAD 5.8 million to Downsview Homes Inc. (Mattamy). Nil interest is charged on the outstanding loan balance. The loan, as indicated, was fully repaid as part of the placement receipts. For more information regarding 2 additional VTB loans at 0 interest rate, see Note 6b(1)(g)

b. Short-term loans:

December 31,	
2015	2014
CAD in thousands	
37,832	174,020

c. Repayment dates of long term loans:

	CAD in thousands
2017	1,132
2018	56,596
2019	1,338
2021	1,043
	60,109

d. Repayment of interim loan after completion of placement:

During December and after completion of the placement, the Company repaid loans from others the total amount approx. CAD 52 million.

e. Repayment of loans from financial corporation:

During May and after final closing and receipt of buyers' consideration, the Company repaid the construction loan at Edge project, total amount approx. CAD 71 million (reflecting the Company's share at the time – 66.67%).

f. Contractual limitations and financial covenants:

1. The line of credit payable from Urbancorp Residential to TD Financial for CAD __ million at December 31, 2015 (Dec 31, 2014 a balance of approx. CAD 5.7 million) [redacted]

2. In respect to contractual limitations and financial covenants related to the bonds, see Note 14b.

3. On August 13, 2015, the Company was provided a loan framework of CAD 225 million by a group of lenders.

   The loan was taken to finance the construction of the Kingsclub project (and repay an existing loan in connection with the property totaling approx. CAD 13.4 million). The loan is subject to meeting certain financial covenants of the securing corporation (the partner First Capital Realty). As of the date of the financial statements, securing corporation has met these covenants, to the Company's best knowledge.

NOTE 14:- Bonds

A. On December 10, 2015, the Company completed an initial public offering of NIS 180,583,000 face value of non-convertible bonds (series A), carrying annual interest rate of 8.15% (not index-linked). The company raised the net amount CAD 58,775 thousand, net after deduction of fund raising expenses in the amount approx. CAD 5,395 thousand.

B. The following is more information in respect to the bonds issued by the Company:

1. <u>Type, interest rate and repayment schedule</u> – The bonds are not linked to the Consumer Price Index, and they carry nominal interest rate (non-linked) of 8.15%. Effective rate of interest is approx. 11.73%. The interest due to the bonds (series A) shall be paid in two bi-annual payments, starting June 30 2016 until December 31, 2019, on the 30th of June and the 31st of December of each of the years 2016-2019 (inclusive). The interest rate is subject to adjustments in case of a change to the bond (series A) rating and/or non-compliance with financial provisions, as described in sections 5.2 and 5.3 of the indenture of the bonds

(series A). As of December 31, 2015, the Company has met the said financial provisions in a manner that does not require an increase in interest rate.

2. **Principal Payment dates** – Five (5) non-equal payments, on December 31, 2017, June 30, 2018, December 31, 2018, June 30, 2019 and December 31, 2019 (inclusive), in such a way that the first payment shall be 10% of the total principal nominal value of the bonds (series A), the second, third and fourth payments shall be 22% of the total principal nominal value of the bonds (series A), and the fifth payment will be 24% of the total principal nominal value of the bonds (series A).

3. **Linkage base (principal and interest)** – the bonds (series A) are not linked (principal and interest) to any index.

4. **Charges** – To secure the complete and accurate fulfillment of the Company's obligations under the provisions of the bonds (series A), including securing the complete and accurate repayment of all the principal and interest payments that must be paid by the Company to the bond holders (series A), the Company has created the following charges:

   a. A permanent, first ranking and single charge, unlimited in amount, on the earmarked account as defined and described in section 6.4 of the indenture of the bonds (series A), attached to the 2015 prospectus ("the indenture").

   b. A permanent, first ranking and single charge, unlimited in amount, of all the Company's rights due to the owners' loans as defined in section 6.1.15 of the indenture.

   For additional information on the charges, see section 6.2 of the indenture.

5. **Financial covenants**

   a. The Company's consolidated equity (not including minority rights) shall be not less than CAD 65 million (this amount will not be index-linked).

   b. The Company's consolidated equity (including minority rights) ratio to the total consolidated balance sheet less advances from customers shall not be less than 18%.

   c. The net financial debt ratio adjusted to the total consolidated balance sheet shall be not more than 74%.

   d. The surpluses expected to be derived from the securing projects shall be an amount equal or higher than 140% of the result of dividing: a. the balance of the Company's expected surplus, by b. the balance of the unpaid principal of the bonds (series A) plus the interest due on the bonds (series A), that was accumulated until the date of the test, and deducting the amounts actually deposited in the earmarked account and in the interest cushion account.

Failure to meet any of the above covenants in two consecutive quarters will be cause for immediate repayment of all the unsettled balance of the bonds (series A). As of December 31, 2015, the Company meets all the above financial covenants.

6. **Restrictions on dividend distribution**

   As part of the indenture, the Company undertook that as long as the bonds (series A) are in circulation, it will not make any distribution, and will not announce, pay or distribute any dividend, unless the total amount in the earmarked account (as defined in 6.1.14 of the

indenture) equals 100% of the obligatory value of the bonds as well as amounts equal to future interest payments until the final settlement date of the bonds (less the amounts deposited in the interest cushion account), until the expiry date of the bonds.

NOTE 15:- OTHER ACCOUNTS PAYABLE

a. Composition:

	December 31,	
	2015	2014
	CAD in thousands	
Interest payable	265	748
Institutions (1)	17,301	202
Warranty provision	434	448
Others	15	-
	18,015	1,398

(1) The balance of VAT owed for Edge project, the amount approx. CAD 14.6 million. After statement date, approx. CAD 12 million of the above balance was paid. The balance of the "institutions" item (approx. $2.7 million) is a provision for property tax in Edge project. Due to this provision for property tax, an earmarked financial balance exists, held by a trustee, presented as part of "Deposits from customers held in trust".

b. Movement in provisions:

	December 31,	
	2015	2014
	CAD in thousands	
Balance at January 1	448	394
Additional provisions recognized	117	172
Amounts used during the year	(131)	(118)
Balance at December 31	434	448

NOTE 16:- TRADE PAYABLES

Composition:

	December 31,	
	2015	2014
	CAD in thousands	
Open debts	26,530	22,932
Provision for completion of projects	723	2,314
Accrued expenses	6,451	4,985
	33,704	30,231

NOTE 17:- INCOME TAX

a. Tax laws applicable to the Group companies:

The Company is subject to tax at the rate of 26.5% based on the tax rate at Ontario province (combined federal tax rate of 15% and Ontario province tax rate of 11.5%).

Also, the Company is subject to tax on capital gains at the rate of 23.09% (combined federal tax rate of 17.34% and Ontario province tax rate of 5.75%).

Below is a reconciliation between the statutory tax rate and the effective tax rate:

	Year ended December 31,		
	2015	2014	2013
	CAD in thousands		
Income (loss) before income tax	(15,060)	1,439	29,049
Ontario statutory tax rate	26.5 %	26.5%	26.5%
Tax computed using the statutory tax rate	3,991	(381)	(7,698)
Differences	-	-	-
Income tax income (expense)	3,991	(381)	(7,698)

b. Current taxes:

	Year ended December 31,		
	2015	2014	2013
	CAD in thousands		
Current tax expense - controlling shareholder (*)	4,655	299	8,243

(*) See Note 2n(2).

c. Taxes for items in other comprehensive income:

	Year ended December 31,		
	2015	2014	2013
	CAD in thousands		
Gain (loss) from revaluation of property, plant and equipment before tax	5,259	9,592	(4,322)
The tax effect	(1,394)	(2,542)	1,145
Gain (loss) from revaluation of property, plant and equipment net of tax	3,865	7,050	(3,177)

d. **Composition of deferred tax liability:**

	Year ended December 31,		
	2015	2014	2011
	CAD in thousands		
Balance at January 1	17,698	15,074	14,803
Recognized in profit or loss for construction projects	(8,646)	82	(545)
Recognized in other comprehensive income for geothermal units	1,394	2,542	(1,145)
Deferred tax liability arising on acquisition of joint operation	5,226	-	1,961
Balance at December 31	15,672	17,698	15,074

NOTE 18:- EQUITY

The authorized share capital comprises an unlimited number of shares without par value. The issued and outstanding share capital comprises 100 shares without par value.

At the time when placement was completed for trading of the Company's bonds (series A) on the Tel-Aviv Stock Exchange, the Company's controlling shareholder transferred to the Company his interests (including indirectly through corporations that are wholly owned and controlled by him) to the transferred corporations which indirectly hold interests in investment properties, real estate development properties and geothermal assets in Toronto, Ontario, Canada and the related liabilities against the issuance of 100 shares of the Company to a corporation that is wholly owned by the controlling shareholder. In respect to restrictions on distribution of dividend see note 14b(6).

NOTE 19:- CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

a. **Commitments:**

The Company is contingently liable in the normal course of business with respect to litigation and environmental matters that arise from time to time. While the final outcome of these matters cannot be predicted with certainty, in the opinion of the

Company's management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of the Company.

b. **Warranty provision:**

In connection to the sale of the condominium units, the Company is liable to ensure that the condominium units and the common areas are delivered in a satisfactory condition that meet the requirements of "Statutory Warranties Ontario New Home Warranty Plan Act". Upon delivery, the condominium units and the common areas are subject to inspections to ensure their conditions. There may be additional costs that arise from the resolution of the various inspections. These inspections may take several years before they are fully resolved. Based on historical information, management has accrued an estimate of the restoration costs resulting from the inspection. The carrying amount of the warranty provision relating to the above at the year ended December 31, 2015 is CAD 434 thousand (2014 - CAD 455 thousand).

c. In the ordinary course of the Company's business, the Company's subsidiaries enter into financing agreements to acquire real estate properties. In the framework of these agreements, the controlling shareholder provides, at no consideration, to the property companies personal guarantees in favor of third parties to secure the liabilities of the subsidiaries through one or more of the following types of guarantees elaborated below:

1. **A "Bad Boy" type guarantee:**

A guarantee that the controlling shareholder issues from time to time to secure the liabilities of third parties to the extent that third parties may suffer losses (or parties related to them) from extreme scenarios - bad acts such as environmental indemnification, misrepresentation, deceit, fraud, theft, violation of certain contractual terms etc., that does not guarantee the repayment of the debt itself except in cases of violation of fundamental contractual terms, whose essence is bankruptcy of the property company, transfer of assets etc. It is indicated that some of the Bad Boy guarantees may be realized, among others, on transfer that is not allowed under the loan agreements underlying the issuance of the guarantee.

2. **A financial guarantee to secure a bank debt and/or financial corporation:**

Guarantees by the controlling shareholder that may be realized to secure financial liability of the subsidiaries. This is a personal, irrevocable guarantee by the controlling shareholder and the management company, jointly and severally, to the entire liabilities of the borrower in connection with the loan including loan principal and interest payments. As of December 31, 2015, the guarantee was approximately CAD xx million.

NOTE 20:- FINANCIAL INSTRUMENTS

a. Risks and capital management objectives and policies:

The Company's operations are subject to a number of risks and uncertainties, including, but not limited to, risks associated with the development of future properties, competition, the real estate markets and general economic conditions in which the Company competes, the availability and cost of financing and fluctuations in interest rates.

The Company is exposed to various risks in relation to financial instruments. Its financial assets and liabilities by category are summarized in b below.

The main types of risks the Company is exposed to in respect of financial assets and liabilities are interest rate risk, credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it trade in options. The most significant financial risks to which the Company is exposed are described below.

The Company does not hold or issue derivative financial instruments for trading purposes.

b. Classification of financial assets and financial liabilities:

	December 31,	
	2015	2014
	CAD in thousands	
Loans and receivables at amortized cost:		
Cash and cash equivalents	5,309	592
Restricted and earmarked deposits	17,652	3,901
Trade receivables - condominium buyers	-	43,523
Other accounts receivable (including long term receivables)	15,279	12,930
Customer deposits held in trust	8,337	7,160
Related parties	8,000	-(*)
	54,577	68,106
(*) see note 22 and 2a		
Other financial liabilities at amortized cost:		
Bonds	58,766	-
Loans from financial corporations and others	97,941	176,543
Trade payables, contractors and service providers	30,704	30,231
Other accounts payable	18,015	1,398

205,436	208,172

c. **Interest rate risk:**

The Company's policy is to minimize interest rate risk exposures on long-term financing. Longer-term loans payable are therefore usually at fixed rates, subject to the financial market availability. At December 31, 2015 and 2014, the Company was exposed to changes in market interest rates through bank borrowings at variable interest rates. Other loans payable are at fixed interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% at December 31, 2015 (2014 - +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rates for each year and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit		Equity	
	+1%	-1%	+1%	-1%
Year ended	CAD in thousands			
December 31, 2015	(1,067)	570	(1,067)	570
December 31, 2014	(1,132)	898	(1,132)	898

d. **Exchange rate risk**

The Company operates in Canada in Canadian dollars. Since the Company raises some of its funds in Israel, the Company may be exposed to changes in the exchange rate of the Canadian dollar against the Israeli currency, NIS.

The following table illustrates the sensitivity to increase or decrease of 5% in the Canadian dollar's exchange rate against the NIS. 5% is the sensitivity rate being used in reporting to key management officers and also, this index represents management's estimate in respect to possible reasonable changes in the rate of exchange. The sensitivity analysis includes existing balances of monetary items recorded in foreign currency and adjusts their conversion at the end of the period to a change of 5% in the rates of foreign exchange.

A positive number in the table indicate increase in profit or increase in equity when the Canadian dollar strengthens by 5% against the NIS, or a decrease in profit or decrease in equity when the Canadian dollar weakens by 5% against the NIS.

Assuming all other parameters remain constant, the impact of an increase/decrease of 5% in the exchange rate on the Company's results was as follows:

	Profit		Equity	
	+5%	-5%	+5%	-5%
Year ended	CAD in thousands			
December 31, 2015	(3,056)	3,209	(3,056)	3,209

e. **Credit risk:**

The Company operates as a developer of residential and retail real estate and investment properties as well as a developer and manager of geothermal units. As a developer, the Company is exposed to credit risk to the extent that buyers may fail to meet their obligations under the terms of purchase and sale agreements. This risk is alleviated by minimizing the amount of exposure the Company has to any single sales transaction by collecting sufficient deposits and obtaining confirmations from the buyer's bank on mortgage financing.

Credit risk on development projects is limited to the uncollected amount of all transactions that have not closed. As of December 31, 2015, there is no balance remaining in respect to "customers – condominium buyers".

f. **Liquidity risk:**

The Company manages its liquidity risks by ensuring that there is adequate cash resources to meet its obligations as they become due. The Company manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Most of the Company's borrowings relate to selling and constructing condominiums. This borrowing is classified in current liabilities in the Company's financial statements. The Company acts to match between the funding sources and its asset mix which consists, among others, of investment properties and geothermal assets held for the long run. For additional information, see Note 13f(2) regarding refinancing of a material current liability.

At December 31, 2015 the Company's liabilities have contractual maturities as summarized below:

	Current	Less than six months	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
	CAD in thousands						
Loans from financial corporations and others	37,832	-	-	1,132	56,596	1,338	1,043
Bonds	-	-	-	6,417	28,235	29,518	-
Trade payables, contractors and service providers	-	30,704	-	-	-	-	-
Other accounts payable	-	18,015	-	-	-	-	-
	37,832	48,719	-	7,549	84,831	30,856	-

At December 31, 2014 the Company's liabilities have contractual maturities as summarized below:

	Current	Less than six months	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
	CAD in thousands						
Loans from financial corporations and others	18,447	-	129,800	29,804	4,890	49	1,366
Trade payables, contractors and service providers	-	29,533	-	-	-	-	-
Other accounts payable	-	1,398	-	-	-	-	-
	18,474	30,931	129,800	29,804	4,890	49	1,366

g. Capital management policies and procedures:

The Company's capital management objectives are:

1. Ensure the Company's ability to continue as a going concern; and

2. Provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount in the financial statements of equity plus loans from related parties, less cash and cash equivalents as presented on the face of the consolidated statements of financial position.

h. Fair value:

The following table illustrates the balance in the financial statements and the fair value of groups of financial instruments presented in the financial statement not by their fair value:

		For December 31, 2015	
	Level details	Balance in the statement of financial position	Fair value
		CAD in thousands	
Financial obligations			
Bonds and interest due on bonds	1	59,033	65,448

Management estimates that the carrying amount of cash and cash equivalents, accounts receivable, restricted deposits, accounts payable, loans from financial corporations and others approximates or is close to their fair values.

NOTE 21:- ADDITIONAL INFORMATION TO THE ITEMS FOR THE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		
		2015	2014	2013
		CAD in thousands		
a.	**Cost of rent and management of properties:**			
	Operating expense	1,879	1,107	1,835
	Insurance	19	48	10
	Maintenance and repairs	7	113	176
	Other	27	169	56
	Total	1,932	1,347	2,077
b.	**Operating cost of geothermal units:**			
	Depreciation	907	577	467
c.	**Selling and marketing expenses:**			
	Agent commissions	2,303	2,008	2,755
	Office depreciation	2,567	1,837	1,374
	Marketing costs	1,371	930	568
	Total	6,241	4,697	4,321
d.	**General and administrative expenses:**			
	Bad debts	660	-	-
	Salaries and other	1,017	1,351	788
	Total	1,677	1,351	788
e.	**Other income (expenses):**			
	Gain from obtaining control in joint activity (1)	1,022	-	-
	Gain (loss) from transfers of inventories to investment property	1,498	69	240
	Income (expenses) from sale of office pavilion	-	-	1,954
	Total	2,521	69	489
	(1) See note 7(2)			
f.	**Finance expenses:**			
	Interest expenses on loans	2,296	788	2,658
	Total	788	2,658	6,100
g.	**Finance income:**			
	Interest income from customers	939	380	2,197

Finance income is mostly interest income from customers on the outstanding amount due from the delivery date to the date of paying the remaining balance based on the contractual terms which is received on the completion of the registration of the condominium in the buyers' name.

h. **Transfer tax expenses**

Following the completion of the acquisition of operations from entities controlled by the same controlling shareholders in the Company and as a result of transferring the controlling shareholder's rights to the Company, the Company expects to carry the expense of transfer tax due to acquisition of property, the amount is estimated at CAD 3.5 million, and was reported as part of the section "Transfer tax expenses".

NOTE 22:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

The Group companies receive management, development, marketing and construction services to the different projects that are owned by the Group from the management company as well as current services from the above management company.

a. Balances with interested and related parties:

	December 31,	
	2015	2014
	CAD in thousands	
Related parties (1) (6)	8,000	(*) -
Other accounts receivable (2)	5,704	1,802
Long-term receivables (2)	1,551	1,088
Inventories (3)	6,450	1,715
Trade payables (4)	549	719
Restricted and earmarked deposits (5)	11,747	-
Property for investment under construction (7)	2,280	

(1) A non-interest bearing balance.

(2) Including balance owed due to the sale of a sales office and the sale of density rights by Edge On Triangle Park Inc. to a company held by the controlling shareholder and receivables due for geothermal income to receive from a geothermal asset management company owned by the controlling shareholder.

(3) Management fees to interested party that were capitalized to inventories.

(4) Payables related to management fees.

(5) Equity contribution by controlling shareholder – for more information see Note 4.

(6) Following on the assignment of controlling shareholders' rights to the Company, of loans from corporations held by them, which amount to approx. CAD 8,000 thousand, the Company reclassified the above assignment of rights and instead of presenting it as "current assets" it now presents them under the section Related parties, classified as "non-current assets". In this matter it should be noted that the Company estimates that the surplus asset value of the related corporations, beyond the obligations of the related corporations (including the value of the new loan, secured as a senior loan over the assignment of rights), is more than CAD 8 million. This issue was tested by an independent outside assessment of value.

(7) Management fee to owner, capitalized to Investment property under construction.

(*) see Note 2a

b. Transactions with related parties:

	Year ended December 31,		
	2015	2014	2013
	CAD in thousands		
Salaries and benefits - general and administrative	634	1,140	738
Operating expenses	83	72	405

c. In 2015, the Company repaid CAD [redacted]n of the loans from shareholders, (CAD 42.6 million was repaid in 2014)

d. Comprehensive service agreement with the management company:

Close to the date of the placement of bonds (series A), the Company entered into a comprehensive service agreement with the management company ("the service agreement") in the framework of which the management company will render the Company a variety of one-stop-shop services supporting its operation such as acquisitions and investments mechanism, financing, marketing, legal consulting, bookkeeping and accounting reporting, asset management supervision, office services, communication, computers, secretariat, chairman, CEO and CFO ("the management services"). The management services will be provided by employees of Urbancorp Group from the Group's headquarters in Toronto, Canada, including by the Company's officers. The service agreement became effective once the placement was complete and shall remain in effect for the entire term of the Company's bond and shall expire at the date on which no bonds are outstanding. It is clarified that this service agreement was initially prepared for the placement of the bonds. The fixed annual fee for the services to be rendered to the Company by virtue of the comprehensive management agreement is placed at CAD 1.5 million per annum ("the overall consideration").

NOTE 23:- OPERATING SEGMENTS

a. The Company operates within the commercial and residential rent and development business. In several projects, the Company operates geothermal units which are used to provide heating and cooling to the properties using green energy.

The following is general information on operating segments:

1. Residential property development - includes the development, purchase and sale of properties.

2. Residential income properties - includes rent and management of residential properties.

3. Geothermal units - includes development, maintenance and management of geothermal units that provide temperature control to the properties.

4. Other - commercial properties for rent.

b. The chief operating decision maker in the Company is the controlling shareholder, Mr. Alan Saskin who serves as CEO and chairman.

c. **Judgments applied by the Company when aggregating operating segments:**

In the residential property development segment, information on projects that produce income from the development, acquisition, and sale of properties in Toronto, Canada, was aggregated. The following are the considerations made by management in applying the criteria for aggregating these projects into the residential property development segment:

Group management examined the economic characteristics of the projects and came to the conclusion that they are similar in view of the fact that all projects are in the city of Toronto, Canada, and denominated in Canadian dollars, they are subject to similar political and legal terms, and their profitability rates are also similar.

Additionally, group management examined that the projects are similar in all the following characteristics:

- Nature of the project – all the projects in the segments are development projects in Toronto, Canada.
- Nature of the development process – all the projects in the segments require similar processes of development, and have the same processes of erection and construction.

- Type of customers – all the projects in the segments are marketed and sold to a group of similar customers that includes private customers who are usually interested in the purchase of a residential apartment.
- The methods used to market the projects – the marketing methods of all the projects in the segments are similar. Also, all the projects include identical advertising and marketing processes.
- The nature of the supervisory environment – all the projects are subject to and supervised by the relevant construction legislation in the city of Toronto, in Ontario and in Canada.

In the income yielding residential property segment, the information on projects that generate income from the rental and management of residential property in Toronto, Canada, was aggregated. According to the examination of the economic characteristics as indicated above, Group management concluded that the projects are similar as they are all in the city of Toronto, Canada, and denominated in Canadian dollars, are subject to similar political and legal terms and have similar profitability rates. Also, the nature of the projects, the type of customers, the marketing methods and supervisory environment are all similar.

In the Geothermal systems segment, information on projects that generate their income from the development, maintenance and management of geothermal systems supplying temperature control to properties, in Toronto, Canada, was aggregated. According to the examination of the economic characteristics as indicated above, Group management concluded that the projects are similar as they are all in the city of Toronto, Canada, and denominated in Canadian dollars, are subject to similar political and legal terms and have similar profitability rates. Also, the nature of the projects, the type of customers and supervisory environment are all similar.

Based on the above considerations, Group management is of the opinion that the segment aggregation is in accordance with IFRS 8.

d. General information on the operating segments:

1. **General**:

Segment income and expenses comprise income and expenses resulting from the operating activities of the segments that are attributable directly to the business segments as well as proportionate share of the Company's expenses in respect of all the segments that can be allocated to the segments on a reasonable basis.

The segment's operating results and liabilities present 100% of the joint operations on the basis of information that is reviewed by the chief operating decision maker in the Company.

2. Segment operating results:

	Year ended December 31, 2015:					
	Residential property development	Residential income properties	Geothermal units	Other	Adjustments (*)	Total
	CAD in thousands					
Segment revenues	76,128	692	977	22	(22,321)	55,476
Segment results	(5,390)	307	71	(737)	-	(5,749)
Adjustment to the Company's part						(1,559)
General and administrative expenses						(1,667)
Other income						2,521
Fair value gain of investment property						(6,874)
Transfer tax expenses						(3,482)
Finance expenses						(1,358)
Income (loss) before income tax						(15,060)
Segment liabilities	137,836	85,404	2,592	57,574	(35,594)	243,812

(*) Adjustment to the Company's part

	Year ended December 31, 2014:					
	Residential property development	Residential income properties	Geothermal units	Other	Adjustments (*)	Total
	CAD in thousands					
Segment revenues	82,774	466	835	3,253	(28,375)	58,953
Segment results	2,013	263	258	60	-	2,594
Adjustment to the Company's part						(1.051)
General and administrative expenses						(1,351)
Other income						69
Fair value gain of investment property						1,586
Finance expenses						(408)
Income before income tax						1,439
Segment liabilities	226,901	68,943	8,382	55,760	(104,583)	255,403

	Year ended December 31, 2013:					
	Residential property development	Residential income properties	Geothermal units	Other	Adjustments *	Total
Segment revenues	63,738	115	472	-	(31,436)	32,889
Segment results	(311)	80	5	-	-	(226)
Adjustment to the Company's part						(44)
General and administrative expenses						(788)
Other income						2,194
Fair value loss of investment property						(26)
Finance expenses						(461)
Gain from sale of joint operation						28,400
Income before income tax						29,049
Segment liabilities	251,851	39,423	7,983	28,712	(101,162)	226,807

(*) Adjustment to the Company's part

NOTE 24:- EVENTS AFTER THE REPORTING DATE

a. Transactions with corporation controlled by First Capital Realty

On March 7, 2016 corporations fully held (100%) by the Company entered into transactions with corporations controlled by First Capital Realty related to Company's project, as follows:

1. **Acquisition of the Geothermic property in Fuzion project**
Urbancorp New Kings Inc., a fully held corporation (100%) as a subsidiary of the Company ("Urbancorp Kings"), which held 50% of the geothermic property in the Fuzion project ("the geothermic property") entered into an agreement with King Liberty North Corporation, which to the best of the Company's knowledge is held by First Capital Realty ("King Liberty"), and with a corporation controlled by Alan Saskin, the controlling shareholder ("the Saskin Company"), by which King Liberty sold to the Saskin Company the second half (50%) of the geothermic property ("the interests sold in the geothermic property), in consideration of CAD 2,350 thousand (Hereinafter in this paragraph: "the consideration"). Immediately following, the Saskin Company sold to Urbancorp Kings the interests sold in the geothermic property in consideration of their fair value of CAD 4,720 thousand in exchange for the consideration and ordinary shares, so that when the above transaction was completed the Company holds, (through Urbancorp Kings), 100% of the interests in the geothermic property. It should be noted that the value of the Company's interests (50%) in the above geothermic property in the company's accounts as of December 31, 2015 is approx. CAD 4,663 thousand.

The above consideration shall be paid to King Liberty by the Saskin Company, from the following sources:

a. CAD 350 thousand cash to be paid out of the total amount received by the Company from the sale of the interests in the 1071 Kings project, as described in 2 herein;
b. CAD 2,000 thousand will be provided to Urbancorp Kings as a VTB loan (vendor take back), for a period of 2 years, at the interest rate of 6% per annum (to be calculated and paid monthly starting April 1, 2016), secured by a primary charge on the purchased interests in the geothermic property. The Saskin Company guarantees Urbancorp Kings' obligation toward King Liberty.

Balance of CAD 2,514 million - get info from Philip

2. **Sale of the Company's holdings in land for project 1071 King:**
Urbancorp Partner (King South) Inc., a fully held company (100%) as a subsidiary of the Company (Hereinafter in this paragraph: "the vendor"), entered an agreement with First Capital 1071 Corporation, which to the best of the Company's knowledge is held by First Capital Realty (Hereinafter in this paragraph: "the buyer"), where the vendor will sell the buyer its holdings of 50% in the 1071 King project ("the sold interests in 1071 King project") in consideration of CAD 7,600 thousand ("the sale agreement"). The value assessment of the sold interests in 1071 King project as of Dec 31, 2015 is CAD 7,400 thousand. The consideration shall be paid to the vendor as follows:
   a. CAD 365 thousand, which will comprise full payment of the cash component in the acquisition of the geothermic property in Fuzion project, as described in 1 herein;
   b. Approx. CAD 46 thousand, which will comprise full payment due to interest payment on a loan provided to the vendor by the buyer to acquire the land in the project ("the land loan").
   c. Approx. CAD 2,103 thousand, which will comprise full payment due to the principal payment for the land loan.
   d. The balance of the consideration, the amount approx. CAD 5,079 thousand shall be provided to the vendor in cash.

It should be noted that when the transaction in 2 above is complete, the obligations due to the land loan shall expire (including a guarantee provided by Urbancorp Toronto Management Inc., a company fully owned by Mr. Alan Saskin, controlling shareholder of the Company ("the management company").

As part of the sale agreement, the development and marketing agreement and the construction agreement related to the project shall expire, as will the sales office rental agreement related to the project, between the parties and the management company; also, the period of the rental agreement by which the management company leases office space from a corporation related to First Capital Realty shall be shortened. Additionally, there will be a distribution of CAD 150 thousand to each of Urbancorp Kings and King Liberty by the Fuzion project property company.

3. **Termination of the development services agreement in Kingsclub project:**

Urbancorp Kings and King Liberty entered an agreement with the management company to terminate the development services in the Kingsclub project, an agreement by which the management company had provided development services to the project. Due to the termination of the development services agreement, the management company shall receive from the parties approx. CAD 1,120 thousand (of which Urbancorp Kings shall pay approx. CAD 560 thousand) which will comprise the balance of the amounts the management company is entitled to in respect to the project development.

4. Termination of the construction services agreement in Kingsclub project:

Urbancorp Kings and King Liberty entered an agreement with the management company to amend the construction services agreement in the Kingsclub project, an agreement by which the management company had provided construction services to the project. Due to the amendment of the agreement, the management company shall discontinue to provide construction services to the project on April 15, 2016 ("the discontinuation date"), and as part of the termination of the construction services agreement the management company shall receive from the parties approx. CAD 1,012 thousand (of which Urbancorp Kings shall pay approx. CAD 506 thousand) which will comprise the balance of the amounts the management company is entitled to in respect to the project construction.

In this context it should be noted that in the framework of the amendment to the agreement it was determined that if the total actual construction cost from the start of project construction to its conclusion (whether by the management company or by a manager who will replace the management company) would be lower than the amount CAD 6,247 thousand, the difference shall be paid by the parties to the management company (of which Urbancorp Kings shall pay 50%).

5. **Amendment to loan agreement in respect to Kingsclub project**

The loan agreement between King Liberty and Urbancorp King to purchase the land for the projects known as Fuzion and Kingsclub was amended so that the interest for 2016 in respect to this loan shall be calculated and paid on an annual basis (on December 1, 2016), instead of being calculated and paid every 6 months. The loan agreement between King Liberty and Urbancorp Kings and between a corporation related to First Capital Realty ("FCR lender"), to develop the land for the projects known as Fuzion and Kingsclub was amended so that starting September 3, 2016 until the final loan repayment date, the FCR lender shall provide the parties loan amounts related to the day-to-day management of the project and related to King Liberty's option to purchase the commercial part of the project, this up to an amount over 1.15 times the loan amount [redacted]

S

This is Exhibit "S" referred to in the Affidavit of Alan Saskin sworn before me this 13th day of May, 2016.

A Commissioner for Taking Affidavits
"Kyle B. Plunkett"

TEL AVIV CD _____

DISTRICT COURT

IN THE MATTER OF:	**Companies Law 5759-1999** Companies Regulations (Application for Settlement	**The Law**
	or Arrangement) 5762-2002)	**Settlement or Arrangement Regulations**
IN THE MATTER OF:	**Section 350 of the Companies Law**	**Section 350**
AND IN THE MATTER OF:	**REZNIK PAZ NEVO TRUSTS LTD. PC 513683474** **Bondholders Trustee (Seriees A)** **Of URBANCORP INC.** By Representative Adv. Yoel Freilich and/or Yael Hershkovitz And/or Inbar Hakimian-Nahari and/or Yevgenya Gluchman And/or Sandra Schneider et al. Of GISSIN & CO., LAW OFFICSE Of 38B Habarzel St., Tel Aviv 69710 Tel: 03-7467777; Fax: 03-7467700	**Applicant/Trustee**
AND IN THE MATTER OF:	**URBANCORP INC., Canadian Company #1471774** Lynn Williams Street, Suite 2A 120, Toronto 416	**Company**
AND IN THE MATTER OF:	**Official Receiver** 2nd Hashlosha St. Tel Aviv Tel: 03-6899695; Fax: 02-6462502	**THE OR**

URGENT EX-PARTE APPLICATION DURING RECESS

FOR TEMPORARY RELIEFS AND APPOINTMENT OF AN OFFICEHOLDER TO URBANCORP INC.

Including by force of Regulation 14(a) of the Companies Regulations (Application for Settlement or Arrangement), 5762 - 2002

As made clear by the Application arguments hereinafter, including the suspension of trade in Company's securities dated 21.4.2016, and in observance of insolvency procedures taken on behalf of Urbancorp Inc.'s subsidiaries (herein: "**Company**" or "**URBANCORP**"), and recent resignations of Company's

officeholders (Israeli and foreign alike), [1] the Company remained in a position where its only director is the sole controlling shareholder, without having an audit committee in place and without meeting the minimal terms for supervision and control, and in explicit contrast with the prospectus-related obligations it has taken upon itself and with provisions of the Securities Law.

Furthermore, considering the circumstances which led to the aforementioned resignations and the Company's loss of controllability, including: (a) the resignation of all of Company's Israeli representatives and proxies[2] (b) allegations and suspicions regarding the correctness of presentations made by the controlling shareholder and Company in the prospectus; (c) not meeting ambiguous obligations; (d) as a result of the aforesaid insolvency procedures which were taken by the Canadian subsidiaries, and appointment of a trustee to the subsidiaries – a possible loss of control over the subsidiaries including assets in general, and assets backing up the bonds in particular (for which the issuance monies, every penny of them, have been streamlined for repayment of earlier liabilities in relation with such assets, including for the controlling shareholder or by releasing him from guarantees);

There is a very urgent need to appoint an officeholder to the Company without any delay so that the assets, actions and possibilities facing the Company's creditors (headed by the bondholders – the Company's sole financial creditors), to receive information and protect their rights.

Thus the honorable Court is hereby requested to exercise its powers and order as follows:

A. Order the appointment of Adv. Guy Gissin as a temporary officeholder in Company, and that he shall be given all powers and obligations as set by the Court, including imparting him with all powers required for managing the Company, supervising its operation and safekeeping its assets and the rights of its creditors, collecting and gathering information from Company including gathering information pertaining to the status of the subsidiaries and/or any thereof, concerning their businesses and assets and also formalize, inasmuch as possible according to the information that will be revealed, **a Company recovery plan pursuant to Section 350 of the Law;**
B. Moreover, to order that the following powers shall be vested in the temporary officeholder:
    - To temporarily vest powers of the Company's Board in the officeholder;
    - To allow the officeholder to exercise judgment and make decisions, in accordance with instructions that will be requested from the Court, regarding his use of control over Company's subsidiaries;
    - To order that the Officeholder, for the purpose of effectively fulfilling his office, may examine the insolvency procedures that have been filed by the subsidiaries; negotiate with their appointed trustee; address the local Canadian Court with applications that

[1] See current officeholder status (Appendix 4 herewith) and the resignation letter of the Israeli and foreign directors (Appendix 2 herewith).
[2] See the resignation letter of SHIMONOV & CO. LAW OFFICES in which they resign from their legal counsel position and as the Company's representative in Israel, and also the notice of AGMON & CO. who were appointed as legal counsels only a month ago, and notified their resignation in the past weekend – Appendix 14 herewith.

will assist him in fulfilling his office, among others by recognizing his status as a Foreign Representative.

- Order that the officeholder shall act to obtain all required information, among others in accordance with requirements of the prospectus by which bonds have been raised in Israel in December 2015, and in accordance with requirements of the Securities Law, in order to act, in accordance with provisions that will be requested form the honorable Court, to compete the drafting and publication of the Company's financial statements;
- To order that the officeholder shall act, inasmuch as possible considering the Company's asset and financial situation, to formalize a Company Recover Plan, and inasmuch as it is not possible, additional instructions shall be requested concerning other legal procedures that must be taken in relation with Company;
- To enter Company's premises and offices and seizes, receive, hold, keep and manage, either personally or by others, all Company assets whatsoever, including monetary accounts and deposits that are managed in any and all banks, and including all chattel assets and rights of any kind and sort that are owned by Company;
- To employ and hire the services of any persona and/or body as he sees fit, subject to the approval of the honorable Court, including appointing directors, an observer on his behalf in Company, CPAs and any of Company's former employees for the purpose of executing the actions specified hereinabove;
- Moreover, the officeholder shall be entitled to receive any and all information he requires for the purpose of executing his office and that is from any factor in Company and/or any on its behalf and/or who is in contacts with Company, including the Authorities, past and present controlling shareholders, Company's contractings with various financial factors that have provided direct or indirect financing to Company or projects owned by Company and by companies under its control or to their controlling shareholders, including all information required for the purpose of evaluating the value of the relevant assets;
- **Any other power as deemed proper and right by the Court under the circumstancse of the matter. And it shall be clarified that in accordance with the variable circumstancse, the Applicant reserves his right to apply for an extension of the officeholder's powers, inasmuch as required;**

Furthermore, the honorable Court is requested to charge the Company with payment of Applicant's expenses for the filing of this Application, including payment of lawyers' fee and all with lawfully added VAT.

The urgency of the Application, which is filed ex-part during the recess, has reached its peak in light of a notice that has been received by the trustee on the holiday eve, 22.4.2016, by which Company, who has issued bonds in total of ILS 180 million in the Tel Aviv Stock Exchange, which served for replacing the self-capital financing in real estate projects in Canada, had led, behind Trustee's back, a series of procedures with that caused its subsidiaries, to which rights in such projects have been registered – to file insolvency procedures. According to the issuance documents and the deed of trust, such projects

should generate the flow form which the bonds are to be repaid and in lack thereof, there is grave and immediate risk to Company's ability to repay the bonds.

The Trustee has no way of knowing whether these insolvency procedures are proper procedures or rather filed artificially in order to try and avoid dealing with the bondholders' trustee. And as illustration, the bonds were issued only in late 2015 and Company did not voluntarily report any cash flow or other difficulties that put the Company at risk of insolvency.

And it shall be emphasized that in accordance with information that has been delivered to the Trustee by his legal counsels in Canada, the procedure taken by the subsidiaries is a "fast-tracked" procedure in which the Applying Company (in our matter – the Company's subsidiaries) files a form that includes a nono-specified statement concerning its solvency, and a trustee is then automatically appointed to it. The Applicant has no information that could indicate on whether this is a proper procedure or if the subsidiaries are indeed insolvent and what caused that, considering that only several months ago the Company and its managers stated their financial viability thereupon the issuance of bonds in Israel.

This taking of insolvency procedures comes after highly suspicious conduct of Company and its management in recent times, which has reached its peak in the week before Passover holiday eve. In the past week, there have been contacts between the trustee and Company for the purpose of obtaining information, after a series of very gross braches on part of Company in regards to provisions of the prospectus, the deed of trust and the Securities laws – including, but without derogating form the generality of the aforesaid, the breaches – non-publication of financial statements, serial resignation of directors and officeholders, loss of license that allows Company to continue and practice its operations and all with an improper reporting regime, whereby Company does not provide information as required.

In retrospect it appears that in the past week, Company has mislead the trustee – thereafter Company has notified that it will comply with Trustee's requirements, and will stipulate to a stand-still concerning its assets and operation, and provide trustee with all the information he and the Company's creditors require, and thereafter Company had even advertised such intent in an immediate statement to the bondholder public and created a presentation in which it intends to publish a letter of obligation as aforesaid (See the immediate report that was issued only on day 20.4.2016 – Appendix 9 herewith) then in retrospect it appears that such conduct was meant to stall time in order to allow Company to take suspicious insolvency procedures in the matter of the subsidiaries, and purported to appoint them a trustee.

It shall already be mentioned that the meaning of the specified in this Application herein is that bondholders now have several causes to call the Company's debt to immediate repayment, but the lack of clarity concerning the Groups true financial state, lack of information concerning propriety and quality of insolvency procedures taken in the subsidiaries, lack of information and data regarding the remainder of Company assets, lack of Company's cooperation with representatives of the Trustee and evasions from providing clear answers – all require the Trustee to already take action to protect the rights of holders as required by his office, simultaneously with convening a meeting that has the calling for immediate debt repayment on its agenda.

A. Application in Abstract

1. This concerns a Company that is associated in Canada and was established in June 2015 for the purpose of raising bonds from the Israeli public. It shall already by said that **the prospectus and deed of trust specify an unconditional term that exclusive jurisdiction, including in insolvency procedures, shall be given to the competent Court in Tel Aviv** and that Company and any on its behalf shall be prevented from arguing or operating otherwise.[3]

2. Furthermore, it shall be said in this context that section 39a(a) of the Securities Law, by which the Company's bonds have been issued, applies provisions from Companies Laws (including in relation with settlement or arrangement procedures as aforesaid) on a company that has associated outside of Israel and offers its securities to the Israeli public.

3. To much surprise, it first appeared on the holiday eve that Company had caused 6 of its subsidiaries, 5 of which constitute "asset companies" (real estate projects) that their cash flows should have served the debt to Company's bondholders, to take an independent insolvency procedure, whereby they state that they are insolvent and seek a Canadian Court-appointed trustee (automatic process). Concerning the Company itself, no insolvency procedures have been taken, apparently in light of Company's prospectus-related obligation (which will be discussed hereinafter) not to take insolvency procedures other than in an Israeli Court.

    - Copy of notices on appointing an officeholder in the Canadian subsidiaries and copy of the immediate report concerning the insolvency procedures dated 24.4.2016 at 06:31 AM are attached herewith as **Appendix 1**.

4. Company's conduct in the past days is added to a long list of severe faults that have been discovered in its operation and for which the bondholders' trustee demanded Company's real-time repair, while Company and its representatives went about their way and avoided providing coherent answers. The faults as aforesaid were expressed in two planes – the management plane and financial/asset plane. *Inter alia*, Company avoided (1) publishing financial statements (the publication date of which has expired on day 31.3.2016); (2) information discovery as required in accordance with provisions of the prospectus and the deed of trust; (3) holding a stable management headquarters in Israel (all Israeli officeholders have already resigned); (4) signing a letter of obligation to prohibit disposition and repair the breaches, in accordance with specific obligations they had taken upon themselves.

5. Therefore, there is a grave fear (which unfortunately, a person on behalf of Company that wants or can dispel it has not been found) **that such severe faults, which on their own merits require the appointment of an officeholder, constitute a concealment screen hiding the Company and its Group's financial and asset status.**

6. **By the partial information that was published thereafter the insistency of the Trustee on his demands from Company, it appears, unfortunately, that: (1) Company had suffered heavy**

[3] See in this matter p. 2 of the Prospectus, Appendix A herewith

losses which erase a significant part of its self-capital; (2) the Company's known asset value should be significantly reduced; (3) Company had lost or might lose the license which allows it to practice its fields of operation (for the purposes of which it had raised debt), and that is as specified extensively hereinbelow.

Some of the events that have occurred in recent days, in which faults and breaches on part of Company have accrued, shall now be presented **in a nutshell**:

7. **The height of the disturbing circumstances came in an official meeting dated 19.4.2016 to which the Trustee and his representatives were invited by the Company**. This meeting was scheduled thereafter two weeks in which the bondholders' trustee has been responding to disturbing news that shall be specified immediately hereinafter, by requests for information and the signing of a "STAND STILL" document by Company, whereas the demands are being responded with feet-dragging, time-stalling and without any real cooperation.

   To the surprise of the trustee and his representatives, it appeared that in the meeting to which they were invited, on day 19.4.2016, no competent factor whatsoever on behalf of the controlling shareholder was in attendance, rather only an external director of Company whose only "news" was that all Israeli directors in Company (who were appointed merely a month ago – two external directors and the independent director) intend **to resign that night.**

   Furthermore, the Trustee and his representatives were told: the resignation is due to the inability to complete the financial statements; that the Company intends to publish an unaudited financial statement with significant negative consequences regarding its status; that there is no way of telling when, if at all, the Company could publish financial statements for year 2015; that there are gross managerial faults that prevent Company from meeting regulatory and other requirements that bind it; and they were further told that the insurance company is no longer willing to insure such directors with an officeholders' policy.

   Following that meeting, the Company's published two significant immediate statements, as follows:

   i. **Immediate statement on the resignation of the two external directors and the independent director**

8. In the short interval in which Company operated as of its establishment and bond raising, Company managed to notify about the resignation of the secretary, the legal advisers (SHIMONOV & CO. LAW OFFICSE), Israeli and Canadian Board members and the Israeli internal auditor.

9. Thus, in Company's statement dated 4.4.2016 (see Appendix 14 hereinafter) concerning the resignation of the legal advisers, it was mentioned that it was done: "**following, *inter alia*,**

unsettled disputed"- word is enough to the wise.

10. And it shall be noted that on day 20.4.2016 Company had reported the resignation of the Israeli Board members who were appointed merely a month ago. Notwithstanding that thereafter the aforementioned notice of resignation, Company was found in breach of the prospectus-related liabilities pertaining to the Board's structure and its Israeli representation, then the argument for resignation indicates to the severe circumstances under which the colossal management vacuum has been created, which by itself establishes an urgent need for appointing an officeholder who will at least clarify the aforementioned faults, and in the text of the notice:

    "... **We have discovered that Company's management in Canada is unprepared and is not properly staffed considering the nature and scope of its operation and by being a corporation that is reported in Israel... We have reached the conclusion that under the circumstances that have been created, we cannot properly fulfill our office since we cannot effectively supervise the Company's conduct. In addition, we discovered that the Company apparently is unable to meet some of its obligations at such time in accordance with the office's terms"** (emphases hereinabove and hereinbelow are not at source – the undersigned)

11. If the aforementioned arguments are not sufficiently severe, the honorable Court's attention is referred to the English text of the resignation notice, from which it can be discerned that **there is no management whatsoever** except the controlling shareholder and his family members:

    "The Company is lacking an Israeli management and the Canadian management as well".

    - Copy of the immediate report on the resignation of Israeli directors dated 20.4.2016, copy of the immediate report on the resignation of foreign directors dated 24.4.2016 are attached herewith as **Appendix 1**.

12. The following day, the Company published another immediate report on the resignation of the internal auditor. In the letter of resignation, the internal auditor, Mr. Doron Rosenblum, mentions that "***since his appointment, and even before he began executing the auditing work on Company's activity, it appeared to him that in the current state, inter alia given the ambiguousness that can be seen in Company's statements and the resignation of the audit committee, that he will not be able to execute the auditing work***". On day 22.4.2016, its new proxies, AGMON & CO. LAW OFFICES, have notified.

13. Therefore, according to the list of officeholders published by Company thereafter the aforementioned letters of resignation, it is obvious that no Israeli officeholders remain in Company. This state constitutes a specific breach of an irrevocable obligation in accordance with the prospectus, by which at least three Israeli residents shall serve as directors in Company (including the external directors).[4]

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[4] See in this matter p. 3 of the Prospectus, Appendix B herewith.

- Copy of the immediate report on the resignation of the internal auditor is attached herewith as **Appendix 1**.
- Copy of the list of officeholders of Company dated 24.4.2016 is attached herewith as **Appendix 2**.

ii. **Immediate Report on an Update Related with Company's Financial Data for Year-End 2015**

14. Furthermore, Company has notified on day 20.4.2016 that based on unaudited and tentative data, significantly negative data have been "discovered" as follows:
    - Loss in total of 15 million Canadian Dollars in relation with the current operations of Q4 2015 and also due to the decrease in the real estate's value and payment of real estate transfer taxes;[5]
    - A need for reducing the value of the controlling shareholder's right to receive loans from corporations held by them (which are not part of the Group) that has been assigned to Company. According to the publication, even though such rights have been estimated to be worth 8 million Canadian Dollars, then as per Company's current estimation, the right's value as of day 31.12.2015 "***is significantly lower than 8 million Canadian Dollars and might even be negligible***".
    - According to results of a test held by an independent expert who was appointed by Company, the Company might reduce the fair value of geothermic assets for day 31.2.2015 by a total of 4-6 million Canadian Dollars and that "***the results of such test might lead to an additional significant reduction in the value of the geothermic assets that are registered in Company's books***".
    - In the survey's conclusion it was even stated that it is possible that Company's state is much worse and that Company's losses in the fourth quarter of 2015 "***shall be different and even higher and/or that the value of Company's registered assets shall be reduced and shall be significantly different***" **In these words!**

- Copy of the immediate report on financial data dated 20.4.2016 is attached herewith as **Appendix 1**.

15. The significance of such data is an inherent lack of certainty concerning the Company's asset and financial state as well as in relation with its self-capital and the ability of the controlling shareholder and/or companies under its control to support Company and provide it with monies. Another suspicion arose that the data, combined with the non-publication of financial statements for year 2015 and the gross managerial faults were all meant to conceal an even

[5] For good measure, it shall be mentioned that the bond issue was executed in December 2015 and based on data in audited financial statements for year-half 2015.

worse situation. This suspicion came to bear in proceedings that have been taken by the subsidiaries on day 22.4.2016, the significance of which is an expected breach of liabilities to bondholders thereupon their maturity.

16. Furthermore, on day 21.4.2016 the Tel Aviv Stock Exchange notified on the suspension of trading in Company's securities "***due to lack of clarity in Company affairs***". Furthermore, the MIDRUG company notified on day 23.4.2016 (which as described herein, has published from time to time and even thereafter the issuance, rating reports for Company) on suspending the Company's bond rating in accordance with the provisions of section 12(e) of the Law to Arrange Activity of Credit Rating Companies, 5774-2014.

    - Copy of the Stock Exchange's notice dated 21.4.2016 is attached herewith as **Appendix 1**.
    - Copy of MIDRUG's notice on suspending rating dated 23.4.2016 is attached herewith as **Appendix 1**.

17. If the Company's management 'pandemonium' is not enough, then Company also methodically violates the reporting obligations imposed on it by force of Israeli securities laws. Thus, for instance – notwithstanding the non-publication of financial statements for year 2015 – just this morning, 24.4.2016 (over 48 hours after-the-fact) the Company reported about the taking of insolvency procedures by the subsidiaries in Canada and/or various legal procedures that have been taken against it and against the subsidiaries. This information has been received by the Trustee only after he had begun examining the Company's situation on his own with local lawyers in Canada.

    - A printout of a Suits Registry as received by the lawyers in Canada is attached herewith as **Appendix 2**.

18. **And thus, even though Company and its controlling shareholder, who were represented in Israel by a leading law office that well understands the severity of the indications specified hereinabove, the Company and the controlling shareholder did not take any meaningful step to ease the minds of Company creditors or that of the Securities Authority, and the feeling is like "there is nobody home".**

19. The Company did not respond to legitimate demands for information and for signing on a stand still document that was forwarded to it already 10 days before then. Only in the immediate report dated 20.4.2016 did the Company notify its *intent* to sign the liability as aforesaid, even though expressing such "intent" does not constitute replacement for the signed deposit of liabilities that has not been signed so far and in fact, is not expected to be signed at all.

    - Copy of the Company's statement about the intention to sign the Stand Still dated 20.4.2016 is attached herewith as **Appendix 1**.

20. In an email correspondence dated 21.4.2016 between the Trustee's representative and the Company's controlling shareholder, Mr. Suskin clarified that no agreements have been reached between the Parties in regards to the Stand Still obligations and that he believes (despite the message's evasive tongue) that there is no more justification for a true exchange between the Parties.

21. This concerns a **sharp and severe turn** in contrast with the position that was presented by Company and Mr. Suskim himself during the bondholder meeting that was convened urgently that very day (21.4.2016) and even in contrast with the Company's immediate report dated 20.4.2016 concerning its "intention" to sign a letter of obligation that imposes restrictions on it as per the text that was acceptable to the Trustee.

    - Copy of the email correspondence dated 21.4.2016 between the Trustee's representative and Mr. Allen Suskin is attached herewith as **Appendix 1**.

22. And thus, simultaneously with the changing of Company and Mr. Suskin's skin as aforesaid in the correspondence hereinabove, the Group acted behind the Trustee's back and in an attempt to go over the honorable Court's power and their prospectus obligation to not take procedures against the Company herein, in Canada – Company caused the subsidiaries that hold the major assets of the Group and its significant potential to serve its obligations – to file insolvency claims with the Canadian Court.

B. Parties to the Application

23. This Application is filed by REZNIK PAZ NEVO TRUSTS LTD. Company, which serve as the Company Bondholders' Trustee (Series A) (hereinabove and hereinafter: "**Trustee**"). The Applicant/Trustee is a private company limited in stocks that provides trust services for liability certificates which are offered to the public in accordance with a prospectus and the Securities Law, 5728-1968.

24. **The Respondent – Urbancorp** – a Company associated in Ontario District, Canada in June 2015 **only for the purpose** of raising bonds from the public in Israel. In December 2015, the Company issued bonds in total of ILS 180,000,000 face value in accordance with a prospectus dated 30.11.2015 (on day 9.12.2015 the Company published complementary notices to the prospectus, herein and jointly: "**Prospectus**"). As part of the Prospectus, the Company offered the public bonds in total of ILs 200 million face value (Series A) that were meant to be repaid in five unequal, semi-annual payments as of day 31.12.2017.[6] It was further determined in the Prospectus that the bonds shall accrue annual (non-linked) interest at a fixed rate of 8.15%,

[6] The first payment was meant to constitute 10% of the face value principle of the bonds, the second-fourth payments were meant to constitute 22% of the principle and the last payment 24% of the face value of the principle.

which will be paid on a semi-annual basis as of day 30.6.2016.

- Copy of the issuance prospectus is attached herewith in a separate volume as **Appendix B**.

  The Company is part of the Urbancorp Group that was founded in 1991 by the controlling shareholder, Mr. Allen Suskin, and deals in real estate in Toronto, Canada. The Urbancorp Group has been described in a presentation published by the Company thereafter the issuance as an initiator and constructor of apartments for sale and rent and also initiates and operates geothermal systems that are used by the residential buildings.

- Copy of the presentation to investors that was published on day 10.11.2015 is attached herewith as **Appendix 1**.

25. Mr. Suskin has attested[7] that he, as one of the leading real estate entrepreneurs in Toronto and one of the heads of the real estate investors community which combines urban development and community empowerment in culture and arts, is personally involved in all aspects of development from designing the vision through acquisition, financing and construction planning. Mr. Suskin serves from the date of the bonds issuance as the chairman of Company's Board, CEO and President, and holds (through a corporation under its ownership) 100% of its share capital and voting rights.

26. On day 6.12.2015 and f ollowin an initial report it had published on day 10.11.2015, MIDRUG LTD. Company (herein: "**MIDRUG**") notified that it sets a 3A rating with a stable horizon for the issuance of the Company's new bond series.

    - Copy of MIDRUG's notice dated 6.12.2015 is attached herewith as **Appendix 1**.

27. The designation of the issuance monies, as specified in the Prospectus, was for the purpose of financing the Company's operations, including: (1) provision of owner's loans to owned Companies for the purpose of providing self-capital and repaying loans in several projects[8] and (2) payment of transfer taxes.

28. Simultaneously with the issuance as aforesaid, the Company signed a deed of trust on day 7.12.2015 with the Applicant, which was inclined to serve as a trustee for the Company's bondholders (Series A).

    - Copy of the deed of trust dated 7.12.2015 is attached herewith as **Appendix 1**.

C. Company's Assets and Operations

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[7] See Capital Market Presentation that was published thereafter the bond issuance (Appendix 11 herewith)
[8] See p. F-1 of the Prospectus, Appendix B herewith

29. As aforesaid, Company was established for the purpose of raising capital, by way of issuing bonds, to invest in real estate in Canada (see section 3.7.1 of the Prospectus). The right owners (Mr. Suskin and his family members) have stipulated that prior to registering for trade listing and subject to the issuance's success, they will transfer to the Company their rights in Urbancorp Group companies that hold the real estate and geothermal assets, and will assign to Company all of their rights vis-à-vis a share issuance in a company controlled by Mr. Suskin (see section 7.1.6 of the Prospectus).

30. The controlling shareholder and his family members have stipulated to transfer to the Company the rights in the following companies which hold the assets:
    30.1. Urbancorp Residential Inc. – a company that holds the assets The Curve (see sub-section 31.1) and Westside (see sub-section 31.2);
    30.2. Urbancorp Cumberland 2 L.P- a partnership that holds the rights in the asset Edge (see sub-section 31.3);
    30.3. Urbancorp Cumberland 1 L.P – a partnership that holds rights in the assets The Bridge (see sub-section 31.4); Kingsclub (see sub-section 31.5); 1071 King (see sub-section 31.931.6); St. Clair (see sub-section31.7); Caledonia (see sub-section 31.931.8); Lawrence (see sub-section 31.9); Mallow (see sub-section 31.931.10); Patricia (see sub-section 31.11);
    30.4. Urbancorp Downsview Park Development Inc. – a company that holds rights in the asset Downsview (see sub-section 31.12);
    30.5. Urbancorp Power Holdings Inc. – a company that holds the geothermal assets;

31. The following is an abstract description of the Company's assets as specified in the Issuance Prospectus:

    i. Existing Projects

    31.1. The Curve – an 8-storey building that includes 133 residential units, of which 11 residential units are held by Company;
    31.2. Westside – a building constructed by Company as a condo asset in August 2012 that includes 354 residential units, of which 7 residential units are held by Company;
    31.3. Edge – a project that includes 2 21 and 22-storey buildings located on a 7-storey podium. The asset (1) has 666 residential units, of which 87 rental residential units in a total area of 46,576 Sqm (in accordance with the Prospectus, the Company contracted on day 22.6.2015 in an agreement with the partner in the asset to terminate the partnership agreement in a form in which the Company only holds 53 residential units in the project); (2) an area of 38,954 Sqm meant for rental and the Company awaits obtainment of an office area designation approval, and also (3) a commercial area of 3,7000 Sqm. The Company holds 66.67% of the rights in the asset jointly with a partner, in accordance with the issuance Prospectus; the project was completed in May 2015.
    31.4. Bridge – a 22-storey building that includes 533 residential units, of which 13 units are held by Company. In accordance with the issuance prospectus, the other units have already been sold and are not held by Company. The project was completed in November 2010;

31.5. **Kingsclub** – the project includes 3 inter-connected residential buildings that are located atop 2 podium stories and includes commercial areas and 4 underground parking levels. The project includes 506 residential units for 15 commercial units. The Company holds 50% of the rights in the asset jointly with a partner. In accordance with the issuance Prospectus, the project began construction in November 2012 and is expected to reach completion in Q1 2018. As of the publishing of the Prospectus, the project does not generate incomes.

ii. **Planned Projects**

31.6. **1071 King** – a planned project for establishing a 30-storey residential building that will include 50 residential units, a commercial area for rent of 7,361 Sqm and an office area for rent of 21,447 Sqm. The project's construction should have begun in Q2 2016. The Company holds 50% of the rights in the asset jointly with a partner. As of the publishing of the Prospectus, the project has been defined as a non-income generating project. In the Company's statement dated 10.3.2016, the Company notified that it has sold the rights in the project to a partner, a corporation from the First Capital Realty group, in return for a total of 7.6 million Canadian Dollars in cash (as Company argues, a tad over fair value) and that is in order to allegedly increase the Company's liquidity.

31.6.1. A copy of the immediate statement dated 10.3.2016 is attached herewith as **Appendix 1**.

31.7. **St. Clair** – a planned project for establishing an 8-storey building with 138 residential units and a commercial part for rent. Project construction should have begun in Q1 2016. The Company holds 40% of the rights in the Asset jointly with a partner. As of the publishing of the Prospectus, the project does not generate incomes;

31.8. **Caledonia** – an entrepreneurial project in planning for the establishment of 41 two-family cottages for sale. The project should have begun in Q4 2015 (the Company had contracted in early sale agreements for all units in the project). This project is a "backup project" as defined herein – the asset company holding this project has taken independent insolvency procedures in Canada as described in the introduction to this Application;

31.9. **Lawrence** – an entrepreneurial project in planning for the establishment of 88 residential units that should have begun in Q4 2016 (the Company had contracted in early sale agreements for 33 units in the project). This project is a "backup project" as defined herein – the asset company holding this project has taken independent insolvency procedures in Canada as described in the introduction to this Application;

31.10. **Mallow** – an entrepreneurial project in planning for the establishment of 39 low residential units that should have begun in Q1 2016 (the Company had contracted in early sale agreements for 17 units in the project). This project is a "backup project" as defined herein – the asset company holding this project has taken independent insolvency

procedures in Canada as described in the introduction to this Application;

31.11. Patricia – an entrepreneurial project in planning for the establishment of 39 low residential units that should have begun in Q1 2017. As of the publishing of the Prospectus, the Company has yet to begin marketing and construction of the project since it has yet to contract in the financing agreement required for its establishment, and has also yet to contract with the executing contractors. Moreover, Company has mentioned that it is unable to currently estimate the scope of the expected costs of its completion. This project is a "backup project" as defined herein – the asset company holding this project has taken independent insolvency procedures in Canada as described in the introduction to this Application;[9]

31.12. Downsview – in 2011 the Company contracted with the Canadian Government to acquire development lands. Initially the Company planned to establish 491 residential units for sale in the asset, of which176 units are in joint buildings, 293 units in low residential buildings and 22 one-family cottages. The project should have begun in Q4 2015. The remainder of land was designated for later stages for the establishment of affordable residential units and additional residential units for sale. The Company holds 51% of the rights in the asset jointly with a partner.[10] This project is a "backup project" as defined herein – the asset company holding this project has taken independent insolvency procedures in Canada as described in the introduction to this Application[11];

iii. <u>Geothermal Assets</u>

32. The "Geothermal System" is an integrated system that supplies heating and cooling to the building in which it is installed, combines green technologies for producing energy by using existing energy in the ground. As part of Company's operations in Toronto, Canada, it holds four geothermal assets that supply heating and cooling for projects constructed by the Group in return for payment that is composed of: (1) fixed amount (2) with the addition of 50% of the monetary value of the cost reduction to the building in comparison with the asset's cost without the system (3) current costs for the system's operation in accordance with a supply agreement.

33. As part of the stipulations made by the controlling shareholder and his family members in the Issuance Prospectus, the aforementioned have stipulated to transfer to the Company rights in

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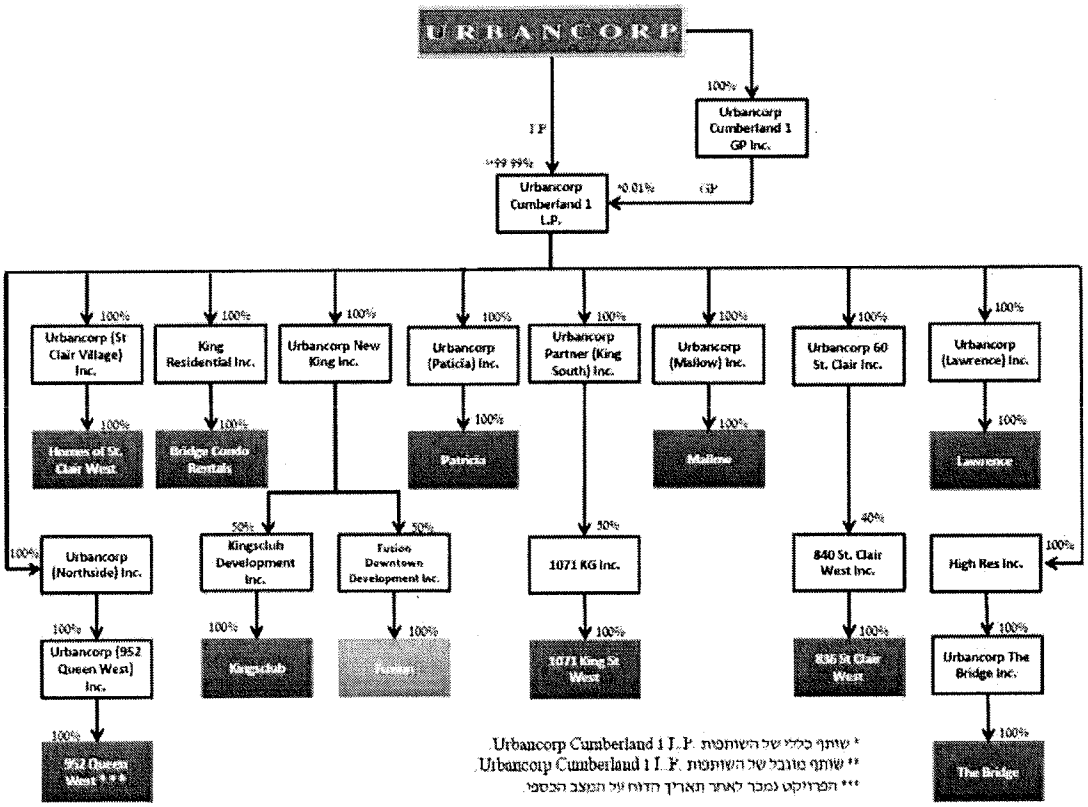
[9] On day 10.3.2016 the Company notified, *inter alia*, that it is in contacts toward contracting with a partner in the Downsview project, Mattamy Homes Inc. Company, in which the partner will take upon itself the development and establishment of the Mallow, Lawrence, Caledonia and Patricia projects, and loan the Company approx. USD 46 million for the purposes of paying the bondholders by day 30.6.2016. As of the filing of this Application, the Company did not produce any document backing or confirming its aforementioned notice.

[10] In accordance with section 6.1.19 of the Deed of Trust, the partner in the project is Mattamy Company, which is unrelated to the controlling shareholder of Urbancorp Group or any on its behalf.

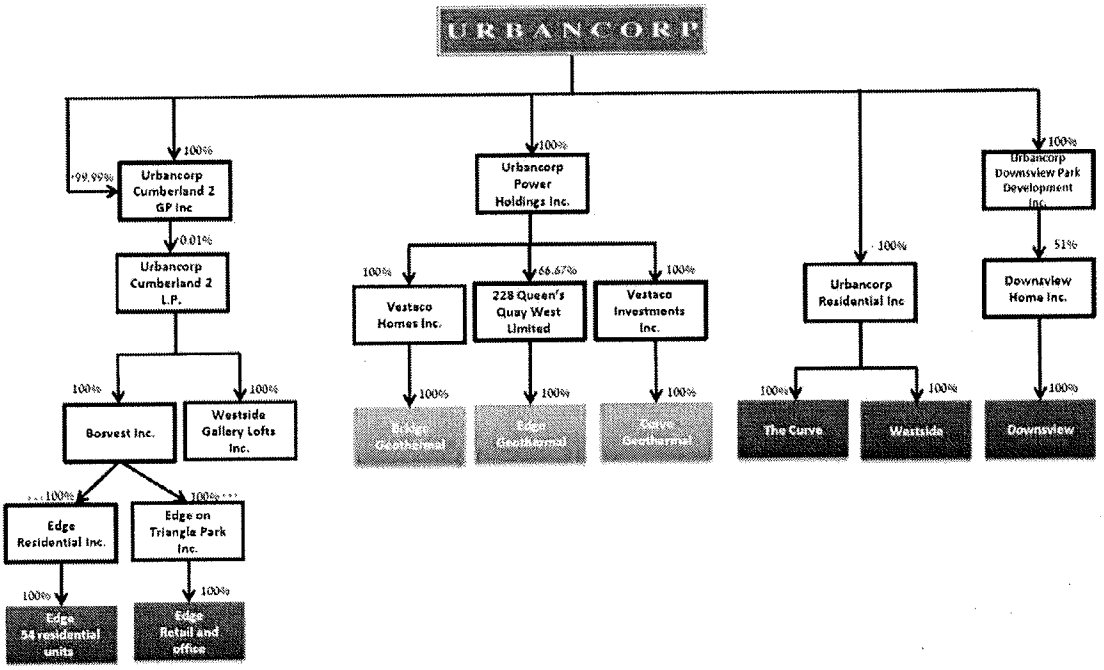
[11] The sixth company to take independent insolvency procedures is a company owned by the controlling shareholder, which is not part of the Group but is used as the management/marketing company of the aforementioned projects and additional projects.

the Urbancorp Power Holdings Inc. Company – which holds rights in the geothermal assets. We are dealing with rights to receive monies for the geothermal services, whereby 5% are deducted from such monies for a private company that is controlled by Mr. Suskin, which operates as the maintenance company of the geothermal systems. The systems are installed in three existing projects of Company: (1) Curve Geothermal[12] (2) Edge Geothermal[13] and (3) Bridge Geothermal[14]. In addition, Company holds rights in a geothermal system that is installed in another asset which is not owned by Company (Fuzion)[15].

34. The following is a Company's holdings chart (split into two charts due to multiple holdings) in shares of the subsidiaries thereafter executing the issuance and streamlining of the assets by the controlling shareholder, as attached to the issuance prospectus:



[12] See sub-section 31.1
[13] See sub-section 31.3
[14] See sub-section 31.4
[15] In this context it shall be mentioned that in accordance with the Company's statement dated 10.3.2016 (See Appendix 14 herewith), the Company notified that it had acquired the Partner's share in the geothermal asset in the Fuzion project by way of a seller's loan in total of 2 million Canadian Dollars and cash payment of 350 thousand Canadian Dollars. However, in the statement dated 20.4.2016, the Company had mentioned that there is concern that this acquisition **might badly impact** the value of all geothermal assets.



D. Company had Breached its Obligations and Additional Events that Require Giving the Requested Orders

35. Bonds issued by Company have been guaranteed with encumbrances as follows:
    35.1. First-order, single and unlimited fixed-encumbrance on the designated account (as defined in the deed of trust and hereinafter);
    35.2. First-order, single and unlimited fixed-encumbrance of all Company's rights by force of the Owner's loans (as defined in the Deed of Trust and herein).

36. The bonds have allegedly been guaranteed in valuable encumbrances, however in practice and unfortunately, it appears that under the circumstances such guarantees are worth no more than the paper on which they are written, **as follows:**

i. The Designated Account and Significance of Cancelling the Tarion License

37. The deed of trust set five projects from the Company's assets that have been defined as "**backup projects**" (Lawrence, Downsview, Caledonia, Patricia, Mallow) in accordance with the Prospectus, we are dealing with planned projects that the establishment of which has yet to begin.

38. It was further determined that in accordance with statements that shall be produced by a supervising factor (external, allegedly, to the Company) to a Canadian lawyer who will be

appointed and serve as a trustee for the proceeds of the residential units in the backup projects – the Canadian lawyer shall transfer the excess proceeds from the backup project to the designated account that will be opened in the Company's name in Israel.

39. In other words – monies originating only in the surplus of the backup projects' proceeds shall be transferred to the designated account in Israel that is encumbered to the Trustee, subject to the decision of such supervising factor and the execution of the Trustee Canadian lawyer. It was further clarified in the deed of trust that such "surplus" is the monies that will be left thereafter clearing all debts to the lenders who are financing the relevant project.

40. On day 4.4.2016, the Company notified about the intention of Tarion **to refuse to renew the registration of the Company under the Home Warranties Program to operate, initiate, sell and market real estate** due to very disturbing arguments, as follows:

    "The main basis for Tarion's notice includes: (a) argument for the Company's alleged non-compliance with the obligation to complete warranty works without unjustified delay; (b) argument for the alleged non-provision of answers to questions pertaining to the Company's financial state."

    40.1. Copy of the immediate statement dated 4.4.2016 is attached herewith as **Appendix 1**.

41. To the best of the Trustee's understanding and by the (lacking) information as given by the Company, the significance of Tarion's notice, in excess of the disturbing arguments as aforesaid hereinabove, is that **the Company may not continue the initiating and sale operations of the planned projects, for which the bond monies have been raised – i.e. shutting down the operations of the Company and the subsidiaries and all severe implications implied by it.**

42. **Furthermore, it appeared that the initial notice of Tarion was already given on day 30.11.15 before the issuance or in parallel thereto, and despite this the Company did not see fit to bring it to public knowledge (surely not during the issuance stage or thereafter, rather only on day 4.4.2016).**

43. Immediately thereafter the Company's notice dated 4.4.2016 hereinabove, the Trustee addressed the Company, *inter alia* to receive clarifications in relation with the notice as aforesaid (see the addresses of the Trustee and his representatives, Appendix 19 herewith). In a meeting that took place on day 7.4.2016, the Trustee's representatives asked the Company and Mr. Suskin to provide a full and specified report, and clarification on the significance of the Tarion license and of Tarion's notice as aforesaid. Moreover, the Company and Mr. Suskin were required to describe such things in the bondholders meeting that was convened on day 10.4.2016.

44. Accordingly, in the morning of the holders' meeting, the Company published an immediate statement with alleged clarifications to the Tarion notice, as follows: **"based**

on complaints and suits of unit acquirers in external projects, Tarion had held seeral meetings with representatives of the Group during 2015 and has issued a letter to the Group dated 11.2015.30 in which it was mentioned, *inter alia*, that Tarion is disturbed by the Group's customer service and financial situation. The letter mentioned that the quantity of complaints made by acquirers that have been found to be justified is higher than the industry's acceptable amount, and also further arguments have been brought up in writing, *inter alia*, about faulty handling of acquirers' complaints and lack of response on part of customer service. The letter mentioned that Tarion sees such problems with high severity and expects full cooperation. The Company estimates that problems that have been discovered in external projects as specified hereinabove are the main reason why Tarion requested to examine the Group's financial state".

44.1. Copy of the immediate statement dated 10.4.2016 is attached herewith as **Appendix 1**.

45. It was further mentioned that Tarion's notice referred in fact to violations that have been executed in a low-figure of projects managed by Company. However according to Tarion's policy, as a result of the severity of violating the licenses of all subsidiaries under the Group, the non-renewal status is in place.

46. As of the date of filing this Application and since most backup projects have yet to be executed, in noticing the notification of Tarion (as specified herein) and the taking of procedures by subsidiaries, then there is real concern that the money surpluses for such projects will not be transferred to the designated account.

ii. Assignment of Owner's Loan

47. As part of obligations the Company had undertaken in accordance with the Prospectus, it has been determined that Company will encumber all of its rights by force of the Owner's loans (as defined in the deed of trust – loans that the Company shall provide for the subsidiaries out of the return of the bond issuance, and which will be used for repaying an existing debt or for the purpose of providing self-capital in relation with the relevant backup project). This right means that inasmuch as the subsidiaries (in the backup projects) will be requested to repay such owner's loans – either as early repayment or as surplus profits as defined in the deed of trust and hereinabove – then the monies shall be transferred to the designated account.

48. To clarify, in accordance with Company's statements, thereafter the Owner's loans have been streamlined as aforesaid to the subsidiaries, the Company specified the list of liabilities of the subsidiaries in relation with the backup projects.

48.1. Copy of immediate statements dated 23.12.2015 and dated 14.4.2016 is attached herewith as **Appendix 1**.

49. Under the existing circumstances and given the procedures that have been opened by the subsidiaries (who hold the backup projects) there is real concern that the guarantee will be impacted until it has been stripped of its worth.

iii. Lowering of Bond Rating and the Capital Market's Response to the Coming Collapse

50. As known, investors in the capital market are based, *inter alia*, on debt rating that is given by the various rating companies which has turned into a significant criterion in examining the worthwhileness of investing in bonds of issued companies, and the company's ability to repay (i.e the likelihood that a corporation will meet the payments in accordance with terms as set in the issuance).

51. Thereafter the Company's issuance of bonds, it had contracted with the rating company MIDRUG which in November published an initial report that rated the Company's bonds during the issuance with the highest rating – A3.il with a stable horizon (see Appendix 12 herein). However, already in day 13.3.2016 MIDRUG published an updated report by which the credit review of the bonds has been lowered to the "examination" status with negative implications.

52. About two weeks thereafter, on day 29.3.2016 MIDRUG has updated the Company's rating **and lowered it by one rating** to Baa1.il. Two more weeks have passed and on day 14.4.2016 **MIDRUG lowered the rating once more to Baa2.il** and left the credit review with negative implications. MIDRUG specified here as well

Court File No.: CV-16-11389-00CL

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 TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC., URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP (LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENT INC., URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP NEW KINGS INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC. (THE "APPLICANTS") AND THE AFFILLIATED ENTITIES LISTED IN SCHEDULE "A" HERETO

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
PROCEEDINGS COMMENCED AT TORONTO

AFFIDAVIT OF ALAN SASKIN
(Sworn May 13, 2016)

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Lawyers for the Urbancorp CCAA Entities

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Court File No.: CV-16-11389-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	WEDNESDAY, THE
	)	
JUSTICE	)	18TH DAY OF MAY, 2016

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 TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC., URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP (LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENT INC., URBANCORP RESIDENTIAL INC., URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP NEW KINGS INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC. (Collectively the "Applicants") AND THE AFFILLIATED ENTITIES LISTED IN SCHEDULE "A" HERETO

INITIAL ORDER

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

ON READING the Affidavit of Alan Saskin sworn May 13, 2016 and the Exhibits thereto (the "**Saskin Affidavit**"), the First Report of KSV Kofman Inc. in its capacity as Proposal Trustee and as proposed monitor dated May __, 2016 (the "**First Report**") and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Urbancorp CCAA Entities, counsel for the proposed Monitor, counsel for Advocate Guy Gissin, counsel for [●] and

those other parties listed on the counsel slip, no one appearing for any other person although duly served as appears from the Affidavit of Service of Kyle B. Plunkett sworn May 13, 2016, filed, on reading the consent of KSV Kofman Inc. to act as the Monitor (in such capacity, the "**Monitor**"),

SERVICE

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

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

3. **THIS COURT ORDERS AND DECLARES** that although not Applicants, the Urbancorp CCAA Entities' affiliated Corporations and Limited Partnerships listed in **Schedule "A"** to this Order (the "**Non-Applicant UC Entities**") are proper parties to these proceedings and shall enjoy the benefits of the protections and authorizations provided by this Order. (The Urbancorp CCAA Entities together with the Non-Applicant UC Entities are hereinafter referred to as the "**Urbancorp CCAA Entities**").

4. **THIS COURT ORDERS AND DECLARES** that the proposal proceedings of each of Urbancorp Toronto Management Inc. (Estate No. 31-2114055), Urbancorp Downsview Park Developments Inc. (Estate No. 31-2114054), Urbancorp (Patricia) Inc. (Estate No. 31-2114050), Urbancorp (Mallow) Inc. (Estate No. 31-2114049), Urbancorp (Lawrence) Inc. (Estate No. 31-2114048) and Urbancorp (St. Clair Village) Inc. (Estate No. 31-2114053) (collectively, the "**Urbancorp NOI Entities**") commenced under Part III of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), be taken up and continued under the CCAA and that the provisions of Part III of the BIA shall have no further application to the Urbancorp NOI Entities.

PLAN OF ARRANGEMENT

5. **THIS COURT ORDERS** that subject to the provisions of this Order, the Urbancorp CCAA Entities shall have the authority to file, and may, subject to further order of this Court,

file with this Court a plan or plans of compromise or arrangement (hereinafter referred to as the "**Plan**" or "**Plans**").

POSSESSION OF PROPERTY AND OPERATIONS

6. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Urbancorp CCAA Entities shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. Subject to paragraph 29 hereof, the Urbancorp CCAA Entities are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

7. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall be entitled to continue to utilize the central cash management system currently in place as described in the Saskin Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Urbancorp CCAA Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Urbancorp CCAA Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

8. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

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

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

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

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

(b) payment for goods or services actually supplied to the Urbancorp CCAA Entities following the date of this Order.

10. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall remit, in accordance with legal requirements, or pay:

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

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Urbancorp CCAA Entities in connection with the sale of goods and services by the Urbancorp CCAA Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes

were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

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

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

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

13. **THIS COURT ORDERS** that the Applicants shall not, without further Order of this Court: (a) make any disbursement out of the ordinary course of its Business exceeding in the aggregate $100,000 in any calendar month; or (b) engage in any material activity or transaction not otherwise in the ordinary course of its Business.

RESTRUCTURING

14. **THIS COURT ORDERS** that subject to paragraph 29 herein, the Urbancorp CCAA Entities shall, subject to such requirements as are imposed by the CCAA, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding $250,000 in any one transaction or $1,000,000 in the aggregate;

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

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

(d) pursue a sale or development of some or all of any Urbancorp CCAA Entity's Business and Property,

all of the foregoing to permit the Urbancorp CCAA Entities to proceed with an orderly restructuring of the Business (the "**Restructuring**").

15. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall provide each of the relevant landlords with notice of the Urbancorp CCAA Entities' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Urbancorp CCAA Entities' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Urbancorp CCAA Entities, or by further Order of this Court upon application by the Urbancorp CCAA Entities on at least two (2) days notice to such landlord and any such secured creditors. If the Urbancorp CCAA Entities disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period

provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Urbancorp CCAA Entities' claim to the fixtures in dispute.

16. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Urbancorp CCAA Entities and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Urbancorp CCAA Entities in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE URBANCORP CCAA ENTITIES OR THE PROPERTY

17. **THIS COURT ORDERS** that until and including June 17, 2016, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Urbancorp CCAA Entities or the Monitor, or affecting the Business or the Property, except with the written consent of the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Urbancorp CCAA Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

18. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Urbancorp CCAA Entities or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Urbancorp CCAA Entities to carry on any business which the Urbancorp CCAA Entities are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by

Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

21. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-

advance any monies or otherwise extend any credit to the Urbancorp CCAA Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

24. **THIS COURT ORDERS** that the directors and officers of the Urbancorp CCAA Entities shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of $300,000, as security for the indemnity provided in paragraph 23 of this Order. The Directors' Charge shall have the priority set out in paragraphs 42 and 44 herein.

25. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Urbancorp CCAA Entities' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 23 of this Order.

INTERIM FINANCING

26. **THIS COURT ORDERS** that the interim credit facility in the maximum amount of $1,900,000 (the "**Interim Facility**") made available to the Urbancorp CCAA Entities by Urbancorp Partner (King South) Inc. (the "**Interim Lender**") pursuant to the terms of the term sheet dated as of May 13, 2016 (the "**Term Sheet**"), and attached as an Exhibit to the Saskin Affidavit, and the Term Sheet itself, be and are hereby approved, and the Urbancorp CCAA Entities are hereby authorized and empowered to execute and deliver such documents as are contemplated by the Term Sheet.

PROTOCOL FOR CO-OPERATION

27. **THIS COURT ORDERS AND DIRECTS** that the "Protocol For Cooperation Among Canadian Court Officer and Israeli Functionary", between KSV Kofman Inc. in its capacity as proposal trustee and as proposed Monitor and Guy Gissin, in his capacity as Functionary Officer appointed by the Israel District Court in Tel Aviv-Yafo in respect of Urbancorp Inc., attached as **Schedule "B"** to this Order (the "**Protocol**"), be and is hereby approved. In the event of a conflict between the terms of this Order and the Protocol, the terms of this Order shall prevail.

APPOINTMENT OF MONITOR

28. **THIS COURT ORDERS** that KSV Kofman Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Urbancorp CCAA Entities with the powers and obligations set out in the CCAA or set forth herein and that the Urbancorp CCAA Entities and their shareholders, officers, directors, and Assistants shall not take any steps with respect to the Urbancorp CCAA Entities, the Business or the Property, save and except under the direction of the Monitor, pursuant to paragraph 29 of this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

29. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, and without altering in any way the powers, abilities, limitations and obligations of the Urbancorp CCAA Entities within, or as a result of these proceedings, be and is hereby authorized, directed and empowered to:

(a) cause the Urbancorp CCAA Entities, or any one or more of them, to exercise rights under and observe its obligations under paragraphs 8, 9, 10, 11, 12 and 13 above;

(b) conduct a process for the solicitation of proposals for additional interim financing of the Business to replace or augment the Interim Credit Facility (the "**Additional Interim Financing**"), which Additional Interim Financing shall be subject to the approval of the Court;

(c) cause the Urbancorp CCAA Entities to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the Urbancorp CCAA Entities in dealing with the Property;

(d) conduct, supervise and direct one or more Court-approved sales and investor solicitation processes (with prior Court approval if deemed appropriate by the Monitor) for portions of the Property or the Business, including the solicitation of development proposals, and any procedures regarding the allocation and/or distribution of proceeds of any transactions;

(e) cause the Urbancorp CCAA Entities to administer the Property and operations of the Urbancorp CCAA Entities, including the control of receipts and disbursements, as the Monitor considers necessary or desirable for the purposes of completing any transaction, or for purposes of facilitating a Plan or Plans for some or all Urbancorp CCAA Entities, or parts of the Business;

(f) propose or cause the Urbancorp CCAA Entities or any one or more of them to propose one or more Plans in respect of the Urbancorp CCAA Entities or any one or more of them;

(g) engage advisors or consultants or cause the Urbancorp CCAA Entities to engage advisors or consultants as the Monitor deems necessary or desirable to carry out the terms of this Order or any other Order made in these proceedings or for the purposes of the Plan and such persons shall be deemed to be "Assistants" under this Order;

(h) apply to this Court for any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and directions with respect to any matter;

(i) meet and consult with the directors of the Urbancorp CCAA Entities as the Monitor deems necessary or appropriate;

(j) meet with and direct management of the Urbancorp CCAA Entities with respect to any of the foregoing including, without limitation, operational and restructuring matters;

(k) monitor the Urbancorp CCAA Entities' receipts and disbursements;

(l) approve Drawdown Requests under the Interim Credit Facility and any Additional Interim Facility;

(m) cause any Urbancorp CCAA Entity with available cash (an "**Intercompany Lender**") to loan some or all of that cash to another Urbancorp CCAA Entity (an "**Intercompany Borrower**") on an interest free inter-company basis (an "**Approved Intercompany Advance**") up to an aggregate of $1 million, which Approved Intercompany Advances shall be secured by the Intercompany Lender's Charge against the Property of the Intercompany Borrower, where in the Monitor's view the Approved Intercompany Advance secured by the Intercompany Lender's Charge does not prejudice the interest of the creditors of the Intercompany Lender.

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

(o) assist the Urbancorp CCAA Entities in its preparation of the Urbancorp CCAA Entities' cash flow statements and reporting required by the Term Sheet or the Court;

(p) hold and administer creditors' or shareholders' meetings for voting on the Plan or Plans;

(q) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Urbancorp CCAA Entities, to the extent that is necessary to adequately assess the Urbancorp CCAA Entities business and financial affairs or to perform its duties arising under this Order;

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

(s) perform such other duties as are required by this Order or by this Court from time to time,

provided, however, that the Monitor shall comply with all applicable law and shall not have any authority or power to elect or to cause the election or removal of directors of any of the Urbancorp CCAA Entities or any of their subsidiaries.

30. **THIS COURT ORDERS** that the Urbancorp CCAA Entities and their advisors shall cooperate fully with the Monitor and any directions it may provide pursuant to this Order and shall provide the Monitor with such assistance as the Monitor may request from time to time to enable the Monitor to carry out its duties and powers as set out in this Order or any other Order of this Court under the CCAA or applicable law generally.

31. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or the Property, or any part thereof and that nothing in this Order, or anything done in pursuance of the Monitor's duties and powers under this Order, shall deem the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario

Environmental Protection Act, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation.

32. **THIS COURT ORDERS** that, without limiting the provisions herein, all employees of the Urbancorp CCAA Entities shall remain employees of the Urbancorp CCAA Entities until such time as the Urbancorp CCAA Entities may terminate the employment of such employees. Nothing in this Order shall, in and of itself, cause the Monitor to be liable for any employee-related liabilities or duties, including, without limitation, wages, severance pay, termination pay, vacation pay and pension or benefit amounts, as applicable.

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

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

35. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Urbancorp CCAA Entities shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Urbancorp CCAA Entities as part of the costs of these proceedings. The Urbancorp CCAA Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Urbancorp CCAA Entities and any Assistants retained by the Monitor on a weekly basis and, in addition, the Urbancorp CCAA Entities are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel

to the Urbancorp CCAA Entities and any Assistants retained by the Monitor, such reasonable retainers as may be requested to be held by them as security for payment of their respective fees and disbursements outstanding from time to time. The Urbancorp CCAA Entities are also authorized and directed to pay the fees and disbursements of KSV as Proposal Trustee, the fees and disbursements of the Proposal Trustee's counsel and the fees and disbursements of counsel to Urbancorp NOI Entities up to the date of this Order in respect of the proposal proceedings of the Urbancorp NOI Entities.

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

37. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Urbancorp CCAA Entities' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $750,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 42 and 44 hereof.

INTERCOMPANY LENDER'S CHARGE

38. **THIS COURT ORDERS** that an Intercompany Lender shall be entitled to the benefit of and is hereby granted a charge (the "**Intercompany Lender's Charge**") on the Property of the Intercompany Borrower as security for all Approved Intercompany Advances advanced to the Intercompany Borrower. The Intercompany Lender's Charge shall have the priority set out in paragraphs 42 and 44 hereof.

INTERIM FINANCING

39. **THIS COURT ORDERS** that the Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the "**Interim Lender's Charge**") on the Property of the Urbancorp NOI Entities as security for all amounts advanced to any Urbancorp NOI Entities under the Interim Credit Facility and as security for all liabilities and obligations of the Urbancorp NOI

Entities as guarantors pursuant to the Term Sheet. The Interim Lender's Charge shall have the priority set out in paragraphs 42 and 44 hereof.

40. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender's Charge;

(b) upon the occurrence of an Event of Default under the Interim Facility Term Sheet, the Interim Lender may terminate the Interim Credit Facility and cease making advances to the Urbancorp NOI Entities, and, upon five (5) days' notice to the Monitor and the parties on the Service List, may bring a motion for leave to exercise any and all of its rights and remedies against the Urbancorp NOI Entities or their Property under or pursuant to the Interim Term Sheet, and the Interim Lender's Charge, including without limitation, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against a Urbancorp NOI Entity and for the appointment of a trustee in bankruptcy of one or more Urbancorp NOI Entities; and

(c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the NOI Entities or their Property.

41. **THIS COURT ORDERS AND DECLARES** that the Interim Lender shall be treated as unaffected in any plan of arrangement or compromise filed by any Urbancorp NOI Entity under the CCAA, with respect to any advances made under the Interim Credit Facility.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

42. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge to the maximum amount of $750,000;

Second – Interim Lender's Charge to the maximum amount of $1,900,000 plus accrued interest under the Term Sheet (as against the Property of the Urbancorp

NOI Entities only), and the Intercompany Lender's Charge (as against the Property of the relevant Intercompany Borrower only) on a *pari passu* basis; and

Third – Directors' Charge to the maximum amount of $300,000.

43. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

44. **THIS COURT ORDERS** that each of the Charges shall rank as against the Property subordinate to all valid perfected security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise granted by each respective Urbancorp CCAA Entity or to which each respective Urbancorp CCAA Entity is subject (collectively, "**Encumbrances**") as of the date of this Order (collectively, "**Pre-Filing Security Interests**"), save and except the security interests, if any, in favour of Reznik Paz Nevo Trusts Ltd. in its capacity as trustee (the "**Israeli Trustee**") under a certain Deed of Trust dated December 7, 2015 between Urbancorp Inc. and the Israeli Trustee, which shall rank subordinate to the Charges.

45. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by further order of this Court, the Urbancorp CCAA Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges.

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

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

(a) neither the creation of the Charges nor the execution, delivery, or performance of the Interim Facility Term Sheet shall create or be deemed to constitute a breach by the Urbancorp CCAA Entities of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Urbancorp CCAA Entities entering into the Interim Facility Term Sheet or the creation of the Charges; and

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

47. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Urbancorp CCAA Entity's interest in such real property leases.

SERVICE AND NOTICE

48. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe & Mail – Toronto Edition, a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Urbancorp CCAA Entities of more than $1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

49. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: http://www.ksvadvisory.com/insolvency-cases-2/urbancorp/ .

50. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Urbancorp CCAA Entities and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Urbancorp CCAA Entities' creditors or other interested parties at their respective addresses as last shown on the records of the Urbancorp CCAA Entities and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

51. **THIS COURT ORDERS** that the Urbancorp CCAA Entities or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

52. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Urbancorp CCAA Entities, the Business or the Property.

53. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, in Israel or elsewhere, to give effect to this Order and to assist the Urbancorp CCAA Entities, the Monitor and their respective

agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Urbancorp CCAA Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Urbancorp CCAA Entities and the Monitor and their respective agents in carrying out the terms of this Order.

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

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

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

SCHEDULE "A"

List of Non Applicant Affilliates

- Urbancorp Power Holdings Inc.
- Vestaco Homes Inc.
- Vestaco Investments Inc.
- 228 Queen's Quay West Limited
- Urbancorp Cumberland 1 LP
- Urbancorp Cumberland 1 GP Inc.
- Urbancorp Partner (King South) Inc.
- Urbancorp (North Side) Inc.
- Urbancorp Residential Inc.
- Urbancorp Realtyco Inc.

SCHEDULE "B"

[Copy of Protocol to be attached]

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~~Revised: January 21, 2014~~

Court File No.~~_____~~: CV-16-11389-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE~~___~~	)	~~___~~DAY WEDNESDAY, THE
	)	
JUSTICE~~_____~~	)	18TH DAY OF
~~_____~~, 20~~__~~ MAY, 2016		

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 ~~[APPLICANT'S NAME] (the "Applicant")~~**URBANCORP TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC., URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP (LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENT INC., URBANCORP RESIDENTIAL INC., URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP NEW KINGS INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC. (Collectively the "Applicants") AND THE AFFILLIATED ENTITIES LISTED IN SCHEDULE "A" HERETO**

INITIAL ORDER

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

ON READING the ~~affidavit~~Affidavit of ~~[NAME]~~Alan Saskin sworn ~~[DATE]~~May 13, 2016 and the Exhibits thereto~~,~~ (the "**Saskin Affidavit**"), the First Report of KSV Kofman Inc. in its capacity as Proposal Trustee and as proposed monitor dated May __, 2016 (the "**First Report**") and on being advised that the secured creditors who are likely to be affected by the

charges created herein were given notice, and on hearing the submissions of counsel for ~~[NAMES]~~the Urbancorp CCAA Entities, counsel for the proposed Monitor, counsel for Advocate Guy Gissin, counsel for [●] and those other parties listed on the counsel slip, no one appearing for ~~[NAME]~~[1]any other person although duly served as appears from the ~~affidavit~~Affidavit of ~~service~~Service of ~~[NAME]~~Kyle B. Plunkett sworn ~~[DATE] and~~May 13, 2016, filed, on reading the consent of ~~[MONITOR'S NAME]~~KSV Kofman Inc. to act as the Monitor (in such capacity, the "**Monitor**"),

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated[2] so that this Application is properly returnable today and hereby dispenses with further service thereof.

~~**APPLICATION**~~

2. **THIS COURT ORDERS AND DECLARES** that the ~~Applicant is a company~~Applicants are companies to which the CCAA applies.

3. **THIS COURT ORDERS AND DECLARES** that although not Applicants, the Urbancorp CCAA Entities' affiliated Corporations and Limited Partnerships listed in **Schedule "A"** to this Order (the "**Non-Applicant UC Entities**") are proper parties to these proceedings and shall enjoy the benefits of the protections and authorizations provided by this Order. (The Urbancorp CCAA Entities together with the Non-Applicant UC Entities are hereinafter referred to as the "**Urbancorp CCAA Entities**").

4. **THIS COURT ORDERS AND DECLARES** that the proposal proceedings of each of Urbancorp Toronto Management Inc. (Estate No. 31-2114055), Urbancorp Downsview Park Developments Inc. (Estate No. 31-2114054), Urbancorp (Patricia) Inc. (Estate No. 31-2114050), Urbancorp (Mallow) Inc. (Estate No. 31-2114049), Urbancorp (Lawrence) Inc. (Estate No. 31-2114048) and Urbancorp (St. Clair Village) Inc. (Estate No. 31-2114053) (collectively, the

[1] ~~Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

[2] ~~If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.~~

"**Urbancorp NOI Entities**") commenced under Part III of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), be taken up and continued under the CCAA and that the provisions of Part III of the BIA shall have no further application to the Urbancorp NOI Entities.

PLAN OF ARRANGEMENT

5. ~~3.~~ **THIS COURT ORDERS** that ~~the Applicant~~subject to the provisions of this Order, the Urbancorp CCAA Entities shall have the authority to file, and may, subject to further order of this Court, file with this Court a plan or plans of compromise or arrangement (hereinafter referred to as the ~~"~~"**Plan**~~"~~" or "**Plans**").

POSSESSION OF PROPERTY AND OPERATIONS

6. ~~4.~~ **THIS COURT ORDERS** that the ~~Applicant~~Urbancorp CCAA Entities shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the ~~"~~"**Property**~~"~~"). Subject to further Order of this Court, the ~~Applicant~~Urbancorp CCAA Entities shall continue to carry on business in a manner consistent with the preservation of ~~its~~their business (the ~~"~~"**Business**~~"~~") and Property. ~~The Applicant is~~Subject to paragraph 29 hereof, the Urbancorp CCAA Entities are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively ~~"~~"**Assistants**~~"~~") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

7. ~~5. [~~**THIS COURT ORDERS** that the ~~Applicant~~Urbancorp CCAA Entities shall be entitled to continue to utilize the central cash management system[3] currently in place as described in the Saskin Affidavit ~~of [NAME] sworn [DATE]~~ or replace it with another substantially similar central cash management system (the ~~"~~"**Cash Management System**~~"~~") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection

[3] ~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross-border and inter-company transfers of cash.~~

or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~Urbancorp CCAA Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the ~~Applicant~~Urbancorp CCAA Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.~~;~~

8. ~~6.~~ **THIS COURT ORDERS** that the ~~Applicant~~Urbancorp CCAA Entities shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

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

(b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~Urbancorp CCAA Entities in respect of these proceedings, at their standard rates and charges.

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

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

(b) payment for goods or services actually supplied to the ~~Applicant~~Urbancorp CCAA Entities following the date of this Order.

10. ~~8.~~ **THIS COURT ORDERS** that the ~~Applicant~~Urbancorp CCAA Entities shall remit, in accordance with legal requirements, or pay:

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

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

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

11. ~~9.~~ **THIS COURT ORDERS** that, except where any of the Urbancorp CCAA Entities are a landlord, until a real property lease is disclaimed ~~**[or resiliated]**~~[4] in accordance with the CCAA, the ~~Applicant~~Urbancorp CCAA Entities shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the ~~Applicant~~Urbancorp CCAA Entities and the landlord from time to time (~~"~~"**Rent**~~"~~"), for the period commencing from and

[4] ~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

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

13. **THIS COURT ORDERS** that the Applicants shall not, without further Order of this Court: (a) make any disbursement out of the ordinary course of its Business exceeding in the aggregate $100,000 in any calendar month; or (b) engage in any material activity or transaction not otherwise in the ordinary course of its Business.

RESTRUCTURING

14. ~~11.~~ **THIS COURT ORDERS** that ~~the Applicant~~subject to paragraph 29 herein, the Urbancorp CCAA Entities shall, subject to such requirements as are imposed by the CCAA ~~and such covenants as may be contained in the Definitive Documents (as hereinafter defined)~~, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, ~~[~~and to dispose of redundant or non-material assets not exceeding $~~●~~250,000 in any one transaction or $~~●~~1,000,000 in the aggregate~~]~~[5];

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

[5] ~~Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

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

(d) pursue a sale or development of some or all of any Urbancorp CCAA Entity's Business and Property,

all of the foregoing to permit the ~~Applicant~~Urbancorp CCAA Entities to proceed with an orderly restructuring of the Business (the ~~"~~"**Restructuring**~~"~~").

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

16. ~~13.~~ **THIS COURT ORDERS** that if a notice of disclaimer ~~[or resiliation]~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~[or resiliation]~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the ~~Applicant~~Urbancorp CCAA Entities and the Monitor 24 hours~~'~~ prior written notice, and (b) at the effective time of the disclaimer ~~[or resiliation]~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have

against the ~~Applicant~~Urbancorp CCAA Entities in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~URBANCORP CCAA ENTITIES OR THE PROPERTY

17. ~~14.~~ **THIS COURT ORDERS** that until and including ~~[DATE – MAX. 30 DAYS]~~ June 17, 2016, or such later date as this Court may order (the ~~"~~"**Stay Period**~~"~~"), no proceeding or enforcement process in any court or tribunal (each, a ~~"~~"**Proceeding**~~"~~") shall be commenced or continued against or in respect of the ~~Applicant~~Urbancorp CCAA Entities or the Monitor, or affecting the Business or the Property, except with the written consent of ~~the Applicant and~~ the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~Urbancorp CCAA Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

19. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal

right, contract, agreement, licence or permit in favour of or held by the ~~Applicant~~Urbancorp CCAA Entities, except with the written consent of the ~~Applicant~~Urbancorp CCAA Entities and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

21. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant~~Urbancorp CCAA Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.[6]

[6] ~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

23. ~~20.~~ **THIS COURT ORDERS** that the ~~Applicant~~Urbancorp CCAA Entities shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Urbancorp CCAA Entities after the commencement of the within proceedings,[7] except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

24. ~~21.~~ **THIS COURT ORDERS** that the directors and officers of the ~~Applicant~~Urbancorp CCAA Entities shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**")[8] on the Property, which charge shall not exceed an aggregate amount of $●, 300,000, as security for the indemnity provided in paragraph ~~[20]~~23 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~[38]~~42 and ~~[40]~~44 herein.

25. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the ~~Applicant's~~Urbancorp CCAA Entities' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not

~~[7] The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

~~[8] Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

have coverage under any directors'" and officers'" insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~[20]~~23 of this Order.

INTERIM FINANCING

26. **THIS COURT ORDERS** that the interim credit facility in the maximum amount of $1,900,000 (the "**Interim Facility**") made available to the Urbancorp CCAA Entities by Urbancorp Partner (King South) Inc. (the "**Interim Lender**") pursuant to the terms of the term sheet dated as of May 13, 2016 (the "**Term Sheet**"), and attached as an Exhibit to the Saskin Affidavit, and the Term Sheet itself, be and are hereby approved, and the Urbancorp CCAA Entities are hereby authorized and empowered to execute and deliver such documents as are contemplated by the Term Sheet.

PROTOCOL FOR CO-OPERATION

27. **THIS COURT ORDERS AND DIRECTS** that the "Protocol For Cooperation Among Canadian Court Officer and Israeli Functionary", between KSV Kofman Inc. in its capacity as proposal trustee and as proposed Monitor and Guy Gissin, in his capacity as Functionary Officer appointed by the Israel District Court in Tel Aviv-Yafo in respect of Urbancorp Inc., attached as **Schedule "B"** to this Order (the "**Protocol**"), be and is hereby approved. In the event of a conflict between the terms of this Order and the Protocol, the terms of this Order shall prevail.

APPOINTMENT OF MONITOR

28. ~~23.~~ **THIS COURT ORDERS** that ~~[MONITOR'S NAME]~~KSV Kofman Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~Urbancorp CCAA Entities with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~Urbancorp CCAA Entities and ~~its~~their shareholders, officers, directors, and Assistants shall ~~advise the Monitor of all material steps taken by the Applicant pursuant to~~not take any steps with respect to the Urbancorp CCAA Entities, the Business or the Property, save and except under the direction of the Monitor, pursuant to paragraph 29 of this Order, and shall co-operate fully with the Monitor in the exercise

of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

29. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, ~~is hereby~~and without altering in any way the powers, abilities, limitations and obligations of the Urbancorp CCAA Entities within, or as a result of these proceedings, be and is hereby authorized, directed and empowered to:

(a) cause the Urbancorp CCAA Entities, or any one or more of them, to exercise rights under and observe its obligations under paragraphs 8, 9, 10, 11, 12 and 13 above;

(b) conduct a process for the solicitation of proposals for additional interim financing of the Business to replace or augment the Interim Credit Facility (the "**Additional Interim Financing**"), which Additional Interim Financing shall be subject to the approval of the Court;

(c) cause the Urbancorp CCAA Entities to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the Urbancorp CCAA Entities in dealing with the Property;

(d) conduct, supervise and direct one or more Court-approved sales and investor solicitation processes (with prior Court approval if deemed appropriate by the Monitor) for portions of the Property or the Business, including the solicitation of development proposals, and any procedures regarding the allocation and/or distribution of proceeds of any transactions;

(e) cause the Urbancorp CCAA Entities to administer the Property and operations of the Urbancorp CCAA Entities, including the control of receipts and disbursements, as the Monitor considers necessary or desirable for the purposes of completing any transaction, or for purposes of facilitating a Plan or Plans for some or all Urbancorp CCAA Entities, or parts of the Business;

(f) propose or cause the Urbancorp CCAA Entities or any one or more of them to propose one or more Plans in respect of the Urbancorp CCAA Entities or any one or more of them;

(g) engage advisors or consultants or cause the Urbancorp CCAA Entities to engage advisors or consultants as the Monitor deems necessary or desirable to carry out the terms of this Order or any other Order made in these proceedings or for the purposes of the Plan and such persons shall be deemed to be "Assistants" under this Order;

(h) apply to this Court for any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and directions with respect to any matter;

(i) meet and consult with the directors of the Urbancorp CCAA Entities as the Monitor deems necessary or appropriate;

(j) meet with and direct management of the Urbancorp CCAA Entities with respect to any of the foregoing including, without limitation, operational and restructuring matters;

(k) ~~(a)~~ monitor the ~~Applicant's~~Urbancorp CCAA Entities' receipts and disbursements;

(l) approve Drawdown Requests under the Interim Credit Facility and any Additional Interim Facility;

(m) cause any Urbancorp CCAA Entity with available cash (an "**Intercompany Lender**") to loan some or all of that cash to another Urbancorp CCAA Entity (an "**Intercompany Borrower**") on an interest free inter-company basis (an "**Approved Intercompany Advance**") up to an aggregate of $1 million, which Approved Intercompany Advances shall be secured by the Intercompany Lender's Charge against the Property of the Intercompany Borrower, where in the Monitor's view the Approved Intercompany Advance secured by the Intercompany Lender's Charge does not prejudice the interest of the creditors of the Intercompany Lender.

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

~~(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~

(o) ~~(d) advise~~assist the ~~Applicant~~Urbancorp CCAA Entities in its preparation of the ~~Applicant's~~Urbancorp CCAA Entities' cash flow statements and reporting required by the ~~DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender~~Term Sheet or the Court;

~~(e) advise the Applicant in its development of the Plan and any amendments to the Plan;~~

(p) ~~(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of~~hold and administer creditors' or shareholders' meetings for voting on the Plan or Plans;

(q) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Urbancorp CCAA Entities, to the extent that is necessary to adequately assess the ~~Applicant's~~Urbancorp CCAA Entities business and financial affairs or to perform its duties arising under this Order;

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

(s) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time,

provided, however, that the Monitor shall comply with all applicable law and shall not have any authority or power to elect or to cause the election or removal of directors of any of the Urbancorp CCAA Entities or any of their subsidiaries.

30. ~~25. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.~~ **THIS COURT ORDERS** that the Urbancorp CCAA Entities and their advisors shall cooperate fully with the Monitor and any directions it may provide pursuant to this Order and shall provide the Monitor with such assistance as the Monitor may request from time to time to enable the Monitor to carry out its duties and powers as set out in this Order or any other Order of this Court under the CCAA or applicable law generally.

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

32. **THIS COURT ORDERS** that, without limiting the provisions herein, all employees of the Urbancorp CCAA Entities shall remain employees of the Urbancorp CCAA Entities until such time as the Urbancorp CCAA Entities may terminate the employment of such employees. Nothing in this Order shall, in and of itself, cause the Monitor to be liable for any

employee-related liabilities or duties, including, without limitation, wages, severance pay, termination pay, vacation pay and pension or benefit amounts, as applicable.

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

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

35. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~Urbancorp CCAA Entities shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the ~~Applicant~~Urbancorp CCAA Entities as part of the costs of these proceedings. The ~~Applicant is~~Urbancorp CCAA Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant on a [TIME INTERVAL]~~Urbancorp CCAA Entities and any Assistants retained by the Monitor on a weekly basis and, in addition, the ~~Applicant is~~Urbancorp CCAA Entities are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the ~~Applicant,~~Urbancorp CCAA Entities and any Assistants retained by the Monitor, such reasonable retainers ~~in the amount[s] of $● [, respectively,]~~as may be requested to be held by them as security for payment of their respective fees and disbursements outstanding from time to time. The Urbancorp CCAA Entities are also authorized and directed to pay the fees and disbursements of KSV as Proposal Trustee, the fees and disbursements of the Proposal Trustee's

counsel and the fees and disbursements of counsel to Urbancorp NOI Entities up to the date of this Order in respect of the proposal proceedings of the Urbancorp NOI Entities.

36. ~~30.~~ **THIS COURT ORDERS** that ~~the~~KSV in its capacity as Monitor, and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

37. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~ and the ~~Applicant's~~Urbancorp CCAA Entities' counsel shall be entitled to the benefit of and are hereby granted a charge (the ~~"~~"**Administration Charge**"~~"~~) on the Property, which charge shall not exceed an aggregate amount of $~~●~~, ~~—~~750,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~[38]~~42 and ~~[40]~~44 hereof.

INTERCOMPANY LENDER'S CHARGE

38. **THIS COURT ORDERS** that an Intercompany Lender shall be entitled to the benefit of and is hereby granted a charge (the "**Intercompany Lender's Charge**") on the Property of the Intercompany Borrower as security for all Approved Intercompany Advances advanced to the Intercompany Borrower. The Intercompany Lender's Charge shall have the priority set out in paragraphs 42 and 44 hereof.

~~DIP~~INTERIM FINANCING

39. ~~32.~~ **THIS COURT ORDERS** that the ~~Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed $● unless permitted by further Order of this Court.~~

~~33. THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~

~~34. THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.~~

~~35.~~ ~~THIS COURT ORDERS that the DIP~~Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the ~~"DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP~~"**Interim Lender's Charge**") on the Property of the Urbancorp NOI Entities as security for all amounts advanced to any Urbancorp NOI Entities under the Interim Credit Facility and as security for all liabilities and obligations of the Urbancorp NOI Entities as guarantors pursuant to the Term Sheet. The Interim Lender's Charge shall have the priority set out in paragraphs ~~[38]~~42 and ~~[40]~~44 hereof.

40. ~~36.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the ~~DIP~~Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the ~~DIP~~Interim Lender's Charge ~~or any of the Definitive Documents~~;

(b) upon the occurrence of an ~~event~~Event of ~~default~~Default under the ~~Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon~~ ●Interim Facility Term Sheet, the Interim Lender may terminate the Interim Credit Facility and cease making advances to the Urbancorp NOI Entities, and, upon five (5) days' notice to the ~~Applicant~~Monitor and the ~~Monitor, may~~parties on the Service List, may bring a motion for leave to exercise any and all of its rights and remedies against the ~~Applicant~~Urbancorp NOI Entities or ~~the~~their Property under or pursuant to the ~~Commitment Letter, Definitive Documents~~Interim Term Sheet, and the ~~DIP~~Interim Lender's Charge, including without limitation, ~~to cease making advances to the~~

~~Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge,~~ to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against ~~the Applicant~~a Urbancorp NOI Entity and for the appointment of a trustee in bankruptcy of ~~the Applicant~~one or more Urbancorp NOI Entities; and

(c) the foregoing rights and remedies of the ~~DIP~~Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the ~~Applicant~~NOI Entities or ~~the~~their Property.

41. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that the ~~DIP~~Interim Lender shall be treated as unaffected in any plan of arrangement or compromise filed by ~~the Applicant~~any Urbancorp NOI Entity under the CCAA, ~~or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"),~~ with respect to any advances made under the ~~Definitive Documents~~Interim Credit Facility.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

42. ~~38.~~ **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows[9]:

First – Administration Charge ~~(~~to the maximum amount of $~~●~~)750,000;

Second – ~~DIP Lender's Charge; and~~Interim Lender's Charge to the maximum amount of $1,900,000 plus accrued interest under the Term Sheet (as against the Property of the Urbancorp NOI Entities only), and the Intercompany Lender's Charge (as against the Property of the relevant Intercompany Borrower only) on a *pari passu* basis; and

[9] ~~The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

Third – Directors' Charge ~~(~~to the maximum amount of $~~●)~~ 300,000.

43. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the ~~"~~"**Charges**~~"~~") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

44. ~~40.~~ **THIS COURT ORDERS** that each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority~~Charges shall rank as against the Property subordinate to all ~~other~~valid perfected security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise granted by each respective Urbancorp CCAA Entity or to which each respective Urbancorp CCAA Entity is subject (collectively, ~~"Encumbrances") in favour of any Person~~"**Encumbrances**") as of the date of this Order (collectively, "**Pre-Filing Security Interests**"), save and except the security interests, if any, in favour of Reznik Paz Nevo Trusts Ltd. in its capacity as trustee (the "**Israeli Trustee**") under a certain Deed of Trust dated December 7, 2015 between Urbancorp Inc. and the Israeli Trustee, which shall rank subordinate to the Charges.

45. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by further order of this Court, the ~~Applicant~~Urbancorp CCAA Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge, unless the Applicant also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.~~ Charges.

46. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the ~~"~~"**Chargees**~~") and/or the DIP Lender~~") thereunder shall

not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; ~~or~~ (e) the pendency of the Israeli Court Proceedings; or (f) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an ~~"~~"**Agreement**~~"~~") which binds the ~~Applicant~~Urbancorp CCAA Entities, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, ~~perfection, registration~~ or performance of the ~~Commitment Letter or the Definitive Documents~~Interim Facility Term Sheet shall create or be deemed to constitute a breach by the ~~Applicant~~Urbancorp CCAA Entities of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant~~Urbancorp CCAA Entities entering into the ~~Commitment Letter,~~Interim Facility Term Sheet or the creation of the Charges~~, or the execution, delivery or performance of the Definitive Documents~~; and

(c) the payments made by the ~~Applicant~~Urbancorp CCAA Entities pursuant to this Order, the ~~Commitment Letter or the Definitive Documents~~Interim Facility Term Sheet, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

47. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant~~Urbancorp CCAA Entity's interest in such real property leases.

SERVICE AND NOTICE

48. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~the Globe & Mail – Toronto Edition, a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~Urbancorp CCAA Entities of more than $1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

49. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: '~~@~~': http://www.ksvadvisory.com/insolvency-cases-2/urbancorp/ .

50. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~Urbancorp CCAA Entities and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the ~~Applicant's~~Urbancorp CCAA Entities' creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~Urbancorp CCAA Entities and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next

business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

51. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~Urbancorp CCAA Entities or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

52. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~Urbancorp CCAA Entities, the Business or the Property.

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

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

55. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Urbancorp CCAA Entities and the Monitor) may apply to this Court to vary or amend

this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

56. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

TOR01: 6308226: v6

SCHEDULE "A"

List of Non Applicant Affilliates

- Urbancorp Power Holdings Inc.
- Vestaco Homes Inc.
- Vestaco Investments Inc.
- 228 Queen's Quay West Limited
- Urbancorp Cumberland 1 LP
- Urbancorp Cumberland 1 GP Inc.
- Urbancorp Partner (King South) Inc.
- Urbancorp (North Side) Inc.
- Urbancorp Residential Inc.
- Urbancorp Realtyco Inc.

SCHEDULE "B"

[Copy of Protocol to be attached]

Document comparison by Workshare Compare on May-13-16 2:57:06 PM

Input:	
Document 1 ID	PowerDocs://TOR01/6323851/1
Description	TOR01-#6323851-v1-Model_CCAA_Initial_Order_amended_Jan_21_2014
Document 2 ID	PowerDocs://TOR01/6308226/6
Description	TOR01-#6308226-v6-Urbancorp__CCAA_Initial_Order_[Application_Record_Version]
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	317
Deletions	346
Moved from	10
Moved to	10
Style change	0
Format changed	0
Total changes	683

5

Court File No.: 31-2114055
Estate File No.: 31-2114055

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

THE HONOURABLE ____	)	**WEDNESDAY, THE 18TH**
	)	
JUSTICE _____	)	**DAY OF MAY, 2016**

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP TORONTO MANAGEMENT INC.

ORDER RE: CONTINUANCE UNDER CCAA

THIS MOTION, made by Urbancorp Toronto Management Inc. ("**UTMI**"), pursuant to Section 183(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of UTMI, the First Report of the KSV Advisory Inc., in its capacity as Proposal Trustee (the "**Proposal Trustee**") dated May 13, 2016, and the affidavit of service of Kyle B. Plunkett sworn May 13, 2016, filed, and on hearing the submissions of counsel for UTMI, counsel for the Proposal Trustee, counsel for [•], no one else appearing for any other person;

SERVICE

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

CONTINUANCE UNDER CCAA

2. **THIS COURT ORDER AND DECLARES** that the proposal proceedings of UTMI commenced under Part III of the BIA is hereby taken up and continued under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), under Court File No. CV-16-11389-00CL and that the provisions of Part III of the BIA shall have no further application to UTMI.

GENERAL

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

4. **THIS COURT ORDERS** that UTMI and the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

5. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as CCAA monitor, interim receiver, receiver, receiver and manager, or trustee in bankruptcy of UTMI.

Court File No. 31-2114055
Estate File No. 31-2114055

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP TORONTO MANAGEMENT INC.

TOR01: 6309595: v1

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

ORDER RE: CONTINUANCE UNDER CCAA

(May 18, 2016)

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Lawyers for UTMI

Court File No.: 31-2114053
Estate File No.: 31-2114053

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

THE HONOURABLE ____	)	**WEDNESDAY, THE 18TH**
	)	
JUSTICE _____	)	**DAY OF MAY, 2016**

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP (ST. CLAIR VILLAGE) INC.

ORDER RE: CONTINUANCE UNDER CCAA

THIS MOTION, made by Urbancorp (St. Clair Village) Inc. ("**UC St. Clair**"), pursuant to Section 183(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of UC St. Clair, the First Report of the KSV Advisory Inc., in its capacity as Proposal Trustee (the "**Proposal Trustee**") dated May 13, 2016, and the affidavit of service of Kyle B. Plunkett sworn May13, 2016, filed, and on hearing the submissions of counsel for UC St. Clair, counsel for the Proposal Trustee, counsel for [•], no one else appearing for any other person;

SERVICE

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

CONTINUANCE UNDER CCAA

2. **THIS COURT ORDER AND DECLARES** that the proposal proceedings of UC St. Clair commenced under Part III of the BIA is hereby taken up and continued under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), under Court File No. CV-16-11389-00CL and that the provisions of Part III of the BIA shall have no further application to UC St. Clair.

GENERAL

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

4. **THIS COURT ORDERS** that UC St. Clair and the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

5. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as CCAA monitor, interim receiver, receiver, receiver and manager, or trustee in bankruptcy of UC St. Clair.

Court File No. 31-2114053
Estate File No. 31-2114053

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP (ST. CLAIR VILLAGE) INC.

TOR01: 6309607: v1

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

ORDER RE: CONTINUANCE UNDER CCAA

(May 18, 2016)

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Lawyers for UC St. Clair

Court File No.: 31-2114054
Estate File No.: 31-2114054

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

THE HONOURABLE ____	)	**WEDNESDAY, THE 18TH**
	)	
JUSTICE _____	)	**DAY OF MAY, 2016**

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP DOWNSVIEW PARK DEVELOPMENT INC.

ORDER RE: CONTINUANCE UNDER CCAA

THIS MOTION, made by Urbancorp Downsview Park Development Inc. ("**UC Downsview**"), pursuant to Section 183(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of UC Downsview, the First Report of the KSV Advisory Inc., in its capacity as Proposal Trustee (the "**Proposal Trustee**") dated May 13, 2016, and the affidavit of service of Kyle B. Plunkett sworn May 13, 2016, filed, and on hearing the submissions of counsel for UC Downsview, counsel for the Proposal Trustee, counsel for [•], no one else appearing for any other person;

SERVICE

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

CONTINUANCE UNDER CCAA

2. **THIS COURT ORDER AND DECLARES** that the proposal proceedings of UC Downsview commenced under Part III of the BIA is hereby taken up and continued under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), under Court File No. CV-16-11389-00CL and that the provisions of Part III of the BIA shall have no further application to UC Downsview.

GENERAL

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

4. **THIS COURT ORDERS** that UC Downsview and the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

5. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as CCAA monitor, interim receiver, receiver, receiver and manager, or trustee in bankruptcy of UC Downsview.

Court File No. 31-2114054
Estate File No. 31-2114054

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP DOWNSVIEW PARK DEVELOPMENT INC.

TOR01: 6309605: v1

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

ORDER RE: CONTINUANCE UNDER CCAA

(May 18, 2016)

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Lawyers for UC Downsview

Court File No.: 31-2114048
Estate File No.: 31-2114048

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

THE HONOURABLE ____	)	WEDNESDAY, THE 18TH
	)	
JUSTICE _____	)	DAY OF MAY, 2016

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP (LAWRENCE) INC.

ORDER RE: CONTINUANCE UNDER CCAA

THIS MOTION, made by Urbancorp (Lawrence) Inc. ("**UC Lawrence**"), pursuant to Section 183(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of UC Lawrence, the First Report of the KSV Advisory Inc., in its capacity as Proposal Trustee (the "**Proposal Trustee**") dated May 13, 2016, and the affidavit of service of Kyle B. Plunkett sworn May 13, 2016, filed, and on hearing the submissions of counsel for UC Lawrence, counsel for the Proposal Trustee, counsel for [•], no one else appearing for any other person;

SERVICE

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

CONTINUANCE UNDER CCAA

2. **THIS COURT ORDER AND DECLARES** that the proposal proceedings of UC Lawrence commenced under Part III of the BIA is hereby taken up and continued under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), under Court File No. CV-16-11389-00CL and that the provisions of Part III of the BIA shall have no further application to UC Lawrence.

GENERAL

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

4. **THIS COURT ORDERS** that UC Lawrence and the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

5. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as CCAA monitor, interim receiver, receiver, receiver and manager, or trustee in bankruptcy of UC Lawrence.

Court File No. 31-2114048
Estate File No. 31-2114048

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP (LAWRENCE) INC.

TOR01: 6309608: v1

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

ORDER RE: CONTINUANCE UNDER CCAA

(May 18, 2016)

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Lawyers for UC Lawrence

Court File No.: 31-2114050
Estate File No.: 31-2114050

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

THE HONOURABLE ____	)	**WEDNESDAY, THE 18TH**
	)	
JUSTICE _____	)	**DAY OF MAY, 2016**

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP (PATRICIA) INC.

ORDER RE: CONTINUANCE UNDER CCAA

THIS MOTION, made by Urbancorp (Patricia) Inc. ("**UC Patricia**"), pursuant to Section 183(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of UC Patricia, the First Report of the KSV Advisory Inc., in its capacity as Proposal Trustee (the "**Proposal Trustee**") dated May 13, 2016, and the affidavit of service of Kyle B. Plunkett sworn May 13, 2016, filed, and on hearing the submissions of counsel for UC Patricia, counsel for the Proposal Trustee, counsel for [•], no one else appearing for any other person;

SERVICE

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

CONTINUANCE UNDER CCAA

2. **THIS COURT ORDER AND DECLARES** that the proposal proceedings of UC Patricia commenced under Part III of the BIA is hereby taken up and continued under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), under Court File No. CV-16-11389-00CL and that the provisions of Part III of the BIA shall have no further application to UC Patricia.

GENERAL

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

4. **THIS COURT ORDERS** that UC Patricia and the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

5. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as CCAA monitor, interim receiver, receiver, receiver and manager, or trustee in bankruptcy of UC Patricia.

Court File No. 31-2114050
Estate File No. 31-2114050

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP (PATRICIA) INC.

TOR01: 6309608: v1

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

ORDER RE: CONTINUANCE UNDER CCAA

(May 18, 2016)

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Lawyers for UC Patricia

Court File No.: 31-2114049
Estate File No.: 31-2114049

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

THE HONOURABLE ____	)	**WEDNESDAY, THE 18TH**
	)	
JUSTICE _____	)	**DAY OF MAY, 2016**

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP (MALLOW) INC.

ORDER RE: CONTINUANCE UNDER CCAA

THIS MOTION, made by Urbancorp (Mallow) Inc. ("**UC Mallow**"), pursuant to Section 183(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of UC Mallow, the First Report of the KSV Advisory Inc., in its capacity as Proposal Trustee (the "**Proposal Trustee**") dated May 13, 2016, and the affidavit of service of Kyle B. Plunkett sworn May 13, 2016, filed, and on hearing the submissions of counsel for UC Mallow, counsel for the Proposal Trustee, counsel for [●], no one else appearing for any other person;

SERVICE

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

CONTINUANCE UNDER CCAA

2. **THIS COURT ORDER AND DECLARES** that the proposal proceedings of UC Mallow commenced under Part III of the BIA is hereby taken up and continued under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), under Court File No. CV-16-11389-00CL and that the provisions of Part III of the BIA shall have no further application to UC Mallow.

GENERAL

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

4. **THIS COURT ORDERS** that UC Mallow and the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

5. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as CCAA monitor, interim receiver, receiver, receiver and manager, or trustee in bankruptcy of UC Mallow.

Court File No. 31-2114049
Estate File No. 31-2114049

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF URBANCORP (MALLOW) INC.

TOR01: 6309608: v1

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

ORDER RE: CONTINUANCE UNDER CCAA

(May 18, 2016)

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Lawyers for UC Mallow

6

Court File No. CV-16-11389-00CL

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 TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC., URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP (LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENT INC., URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP NEW KINGS INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC., AND THE AFFILLIATED ENTITIES LISTED IN SCHEDULE "A" HERETO

Applicants

CONSENT

The undersigned, KSV Kofman Inc., hereby consents to act as the Court-appointed monitor of each of Urbancorp Toronto Management Inc., Urbancorp Downsview Park Development Inc., Urbancorp (St. Clair Village) Inc., Urbancorp (Patricia) Inc., Urbancorp (Mallow) Inc., Urbancorp (Lawrence) Inc., Urbancorp (952 Queen West) Inc., King Residential Inc., Urbancorp New Kings Inc., Urbancorp 60 St. Clair Inc., High Res. Inc., Bridge on King Inc. and the affiliated entities listed in Schedule "A" hereto pursuant to the terms of an order substantially in the form filed in the above proceeding.

May 13, 2016

KSV KOFMAN INC.

By: Bobby Kofman IRK
Robert Kofman
President

SCHEDULE "A"

List of Non-Applicant Affiliated Companies

- Urbancorp Power Holdings Inc.
- Vestaco Homes Inc.
- Vestaco Investments Inc.
- 228 Queen's Quay West Limited
- Urbancorp Cumberland 1 LP
- Urbancorp Cumberland 1 GP Inc.
- Urbancorp Partner (King South) Inc.
- Urbancorp (North Side) Inc.
- Urbancorp Residential Inc.
- Urbancorp Realtyco Inc.

Court File No. CV-16-11389-00CL

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 TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC., URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP (LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENT INC., URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP NEW KINGS INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC., AND THE AFFILLIATED ENTITIES LISTED IN SCHEDULE "A" HERETO

Applicants

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

CONSENT

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Lawyers for the Applicants

Court File No. CV-16-11389-00CL

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 TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC., URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP (LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENT INC., URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP NEW KINGS INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC. (THE "APPLICANTS") AND THE AFFILLIATED ENTITIES LISTED IN SCHEDULE "A" HERETO

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

APPLICATION RECORD

(Returnable May 18, 2016)
(Volume 2 of 2)

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