



**First Report to Court of
KSV Kofman Inc. as CCAA Monitor 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 60 St.
Clair Inc., High Res. Inc., Bridge On King
Inc. and the Affiliated Entities Listed in
Schedule "A" Hereto**

June 9, 2016

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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 60 ST. CLAIR INC., HIGH RES. INC.,
BRIDGE ON KING INC. (COLLECTIVELY, THE "APPLICANTS") AND THE
AFFILIATED ENTITIES LISTED IN SCHEDULE "A" HERETO**

JUNE 9, 2016

1.0 Introduction

1. On April 21, 2016, Urbancorp (St. Clair Village) Inc. ("St. Clair"), Urbancorp (Patricia) Inc. ("Patricia"), Urbancorp (Mallow) Inc. ("Mallow"), Urbancorp Downsview Park Development Inc. ("Downsview"), Urbancorp (Lawrence) Inc. ("Lawrence") and Urbancorp Toronto Management Inc. ("UTMI") each filed a Notice of Intention to Make a Proposal ("NOI") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "NOI Proceedings"). (Collectively, St. Clair, Patricia, Mallow, Downsview and Lawrence are referred to as the "NOI Entities" and the NOI Entities and UTMI are referred to as the "Companies".)
2. KSV Kofman Inc. ("KSV") was appointed as the Proposal Trustee in the NOI Proceedings.
3. Pursuant to an Order made by the Ontario Superior Court of Justice (Commercial List) ("Court") dated May 18, 2016 ("Initial Order"), the Applicants (which include the Companies) together with the entities listed on Schedule "A" attached (collectively, the "Urbancorp CCAA Entities") were granted protection under the *Companies' Creditors Arrangement Act* (the "CCAA") and KSV was appointed monitor (the "Monitor").
4. This report (the "Report") is filed by KSV in its capacity as Monitor.

5. The Initial Order:

- a) granted a stay of proceedings for the Urbancorp CCAA Entities to June 17, 2016;
- b) approved an interim credit facility (the “Interim Credit Facility”) in the amount of \$1.9 million between Urbancorp Partner (King South) Inc. (“King South”), as lender, and the Urbancorp CCAA Entities, as borrowers, and authorized the Monitor to cause any Urbancorp CCAA Entity with available cash to loan that cash to another Urbancorp CCAA Entity, as required (an “Approved Intercompany Advance”);
- c) authorized the Monitor to solicit proposals for interim financing to replace or augment the Interim Credit Facility (the “DIP Solicitation Process”);
- d) approved a protocol (the “Protocol”) between the Monitor and Guy Gissin, functionary of Urbancorp Inc. (the “Functionary”), as appointed by the Israeli District Court in Tel Aviv-Yafo (the “Tel Aviv Court”);
- e) provided the Monitor with enhanced authority in the CCAA proceedings, including control of the cash management system, operational decision making and the direction of the restructuring process generally; and
- f) granted the Administration Charge, the Intercompany Lender’s Charge, the Interim Lender’s Charge and the Director’s Charge, all as defined in the Initial Order.

6. The principal purpose of the CCAA proceedings is to create a stabilized environment to allow the Urbancorp CCAA Entities the opportunity to consider their restructuring options, including development opportunities and/or selling some or all of their properties through a Court approved process.

1.1 Purposes of this Report

- 1. The purposes of this Report are to:
 - a) provide background information about the Urbancorp CCAA Entities and these proceedings;
 - b) provide the Court with an update on:
 - i. Urbancorp Inc.’s proceedings in Israel (the “Israeli Proceedings”), which have been recognized as a foreign main proceeding by the Court under Part IV of the CCAA (the “Part IV Proceedings”);

- ii. the Urbancorp CCAA Entities' restructuring, including the status of development opportunities and a sale process to be finalized shortly by the Monitor; and
 - iii. the DIP Solicitation Process;
- c) report on the Urbancorp CCAA Entities' cash flow projection for the period June 4, 2016 to September 2, 2016 ("Cash-Flow Statement");
- d) summarize the terms of a debtor-in-possession facility (the "DHI Facility") in the amount of \$8 million between Mattamy (Downsview) Limited ("Mattamy"), as lender, and Downsview, as borrower, as well as a charge (the "DHI Facility Charge") in favour of Mattamy over Downsview's assets, properties and undertakings to secure repayment of the amounts borrowed by Downsview under the DHI Facility;
- e) provide an overview of the Monitor's activities since the commencement of the CCAA proceedings; and
- f) recommend that the Court make an Order:
 - i. granting the Urbancorp CCAA Entities' request for an extension of its stay of proceedings from June 17, 2016 to September 2, 2016;
 - ii. approving the DHI Facility and the DHI Facility Charge; and
 - iii. approving this Report and the activities of the Monitor as set out in this Report.

1.2 Currency

1. Unless otherwise noted, all currency references in this Report are to Canadian dollars.

1.3 Restrictions

1. In preparing this Report, the Monitor has relied upon unaudited financial information of the Urbancorp CCAA Entities, the books and records of the Urbancorp CCAA Entities and discussions with representatives of the Urbancorp CCAA Entities, including their lawyers and accountants. The Monitor has not performed an audit or other verification of such information. The financial information discussed herein is preliminary and remains subject to further review. The Monitor expresses no opinion or other form of assurance with respect to the financial information presented in this Report.

2. An examination of the Urbancorp CCAA Entities' Cash Flow-Statement as outlined in the Chartered Professional Accountant Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based on the Urbancorp CCAA Entities' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or form of assurance on whether the Cash-Flow Statement will be achieved.

2.0 Background

1. The Urbancorp CCAA Entities, together with several affiliates, comprise the Urbancorp Group (collectively, the "Group"). The business of the Group commenced in 1991. The Group primarily engages in the development, construction and sale of residential properties in the Greater Toronto Area. The Group also owns rental properties and geothermal assets¹. A condensed organization chart for the Group is provided in Appendix "A".
2. The ultimate shareholders of the Group are Alan Saskin and members of his family.
3. At the commencement of the CCAA proceedings, the Urbancorp CCAA Entities had several projects in various stages of development and construction. The projects require significant capital in order to be completed. The Urbancorp CCAA Entities are in need of funding. They will be unable to generate positive cash flow until the projects are advanced.
4. UTMI provides back-office support for the Group, including human resources and accounting. As at June 6, 2016, UTMI employed approximately 13 individuals; it is the sole employer in the Group. UTMI provides services to the Urbancorp CCAA Entities and to other entities in the Group, including: (i) Edge Residential Inc., Edge on Triangle Park Inc. and Bosvest Inc. which are subject to the NOI proceedings in which The Fuller Landau Group Inc. ("Fuller Landau") is the Proposal Trustee; and (ii) Urbancorp (Leslieville) Developments Inc., Urbancorp (Riverdale) Developments Inc. and Urbancorp (The Beach) Developments Inc. which are subject to receivership proceedings in which Alvarez & Marsal Canada Inc. ("A&M") has been appointed receiver. UTMI's workforce is not unionized and it does not maintain a pension plan.

2.1 Israeli Proceedings

1. Urbancorp Inc. was incorporated on June 19, 2015 for the purpose of raising capital in the public markets in Israel.

¹ Geothermal assets use "green technology" to provide heating and cooling to residential developments.

2. Pursuant to a deed of trust dated December 7, 2015, Urbancorp Inc. made a public offering of debentures (the “IPO”) in Israel for NIS 180,583,000 (approximately C\$64 million based on the exchange rate at the time of the IPO) (the “Bonds”). The Bonds traded on the Tel Aviv Stock Exchange (the “TASE”). Urbancorp Inc. is alleged to have defaulted on the Bonds and trading in the Bonds has been suspended by the TASE.
3. The majority of the proceeds from the Bonds were used to provide loans to the NOI Entities so that the NOI Entities could in turn repay their loan obligations owing at the time. The loan agreements between Urbancorp Inc. and the NOI Entities set out that these advances are unsecured and can only be paid from surplus cash flow after all other creditors are paid in full. The maturity date of the Bonds is December 31, 2019, at which time they must be repaid.
4. Pursuant to the Recognition Order issued in the Part IV Proceedings:
 - a) Mr. Gissin was appointed as the foreign representative of Urbancorp Inc.;
 - b) the Israeli Proceedings were recognized as a “foreign main proceeding”;
 - c) a decision by the Tel Aviv Court granting the Functionary certain powers, authority and responsibilities over Urbancorp Inc. was recognized by the Court; and
 - d) KSV was appointed as the Information Officer;
5. Pursuant to the Initial Order, the Court approved the Protocol between the Monitor and the Functionary. The Protocol addresses, *inter alia*, the sharing of information between the Functionary and the Monitor, the manner in which the Functionary is to have input in the CCAA restructuring process and that KSV would be the Information Officer in the Part IV Proceedings.
6. Further background concerning the Group and the Israeli Proceedings was provided in the affidavit of Alan Saskin, the sole director and officer of each of the Companies, sworn May 13, 2016 (the “Saskin Affidavit”) and the First Report of KSV as Proposal Trustee dated May 13, 2016 (the “Proposal Trustee Report”). The Saskin Affidavit, the Proposal Trustee Report and other publically available materials filed in the insolvency proceedings are available on KSV’s website at: <http://www.ksvadvisory.com/insolvency-cases-2/urbancorp/>.

3.0 Update on the Israeli Proceedings

1. Since the commencement of the CCAA proceedings, the Monitor has been in regular contact with the Functionary and its Canadian counsel, Goodmans LLP, to provide updates and consult with the Functionary on major issues in the Urbancorp CCAA Entities’ restructuring process.

2. On May 10, 2016, the Functionary made an application to the Tel Aviv Court to, *inter alia*, authorize the Functionary to enter into the Protocol. On May 11, 2016, the Tel Aviv Court made an Order authorizing the Functionary to enter into the Protocol. On May 22, 2016, the Tel Aviv Court made an order extending the appointment of the Functionary to September 22, 2016.
3. The Functionary shortly intends to seek an Order of this Court calling for claims by Canadian creditors against Urbancorp Inc. and establishing a bar date for same. The Monitor expects that the Functionary will seek an order of this Court approving a claims process, including the form of claims' notice that is to be published. The Monitor and the Functionary have been in discussions in this regard.

4.0 Restructuring Process

4.1 Development Proposal

1. Prior to the commencement of the restructuring proceedings, the Group was engaged in discussions with a real estate developer regarding a development proposal for the properties owned by the NOI Entities, other than the property owned by Downsview (the "Properties").
2. On May 12, 2016, the Monitor received a letter of intent from the developer. The Monitor engaged in negotiations with the developer and considered making the development proposal a stalking horse offer in a realization process. A stalking horse process is often beneficial to maintain stakeholder support, such as employees, customers and vendors during a sale process, so that goodwill is preserved. As the main asset of the NOI Entities is raw land, the Monitor concluded that a stalking horse is of limited benefit, if any, at this stage of the sale process². Accordingly discussions with the developer were discontinued during the week of May 27, 2016.

4.2 Broker Solicitation Process

1. In early June, the Monitor requested proposals from realtors to act as its listing agent for the Properties. Proposals are due on June 13, 2016.
2. Upon selection of one or more successful proposals, the Monitor and the realtor(s) will develop a realization process to be approved by the Court. The Monitor expects Court approval to be sought prior to the end of June, 2016. A copy of the package sent to the realtors is provided in Appendix "B".
3. Each of the realtors has a national or significant practice and has experience selling real estate similar to the Properties.
4. In selecting a realtor, the Monitor will also consider unsolicited proposals it receives.

² The Monitor contemplates that the sale process for which it intends to seek Court approval will provide the option, but not the obligation, to have the best offer or offers to be a stalking horse in an auction.

5.0 Cash Flow

1. The Cash-Flow Statement and related assumptions for the period June 4, 2016 to September 2, 2016 (the “Period”), together with Management’s Report on the Cash-Flow Statement, are provided in Appendix “C”.
2. The Urbancorp CCAA Entities’ principal assets are undeveloped real estate, which do not presently generate positive cash flow. The most immediate cash requirement is \$8 million required to fund an equity injection by Downsview to DHI under the DHI Facility (discussed in Section 7 below). The remaining expenses in the Cash-Flow Statement include payroll, general and administrative expenses and professional fees.
3. As of the date of this Report, the Urbancorp CCAA Entities have a cash balance of approximately \$2.1 million. The Urbancorp CCAA Entities’ cash balance is projected to be fully utilized by July 15, 2016. Accordingly, a debtor-in-possession facility (a “DIP Facility”) will be required at that time.
4. The Monitor is of the view that the material assumptions in the Cash-Flow Statement are reasonable. The Monitor’s report on the Projection is provided in Appendix “D”.

6.0 DIP Financing Process

1. The Initial Order authorized the Monitor to conduct the DIP Solicitation Process.
2. The Monitor is seeking a DIP Facility in the amount of \$10 million. The DIP Facility is to be secured by unencumbered raw land owned by Lawrence and St. Clair (the “Collateral”). Estimates of value recently received by the Monitor indicate that the value of the Collateral exceeds the anticipated amount of the DIP Facility.
3. It is contemplated that the proceeds from the DIP Facility will be used to fund operating costs and professional fees incurred by the Urbancorp CCAA Entities during the restructuring process. It may also be used to repay amounts that have been loaned among the Urbancorp CCAA Entities since the commencement of the NOI proceedings under the Intercompany Lender’s Charge and the Interim Lender’s Charge.
4. Between June 6 and 8, 2016, the Monitor sent a letter to several parties detailing the DIP opportunity (the “Solicitation Letter”).³ Attached to the Solicitation Letter was: (i) a confidentiality agreement (the “CA”); and (ii) a form of term sheet to be used by interested parties to submit their bids. A copy of the Solicitation Letter is attached as Appendix “E”. Interested parties who sign CAs will be provided access to an online data room. The data room contains information concerning the Collateral, including environmental reports, zoning studies and appraisals.

³ The majority of the Solicitation Letters were sent on June 6, 2016. Additional letters were sent on June 7 and 8, 2016 to parties who expressed an interest on these dates.

5. The following criteria, among others, will be considered in respect of DIP proposals:
 - a) term;
 - b) interest rate and fees; and
 - c) conditions.
6. The terms of the selected DIP proposal will be subject to Court approval.

7.0 Downsview

1. Downsview Homes Inc. (“DHI”) owns land located at 2995 Keele Street in Toronto, which is being developed into condominiums and low-rise residences (the “Downsview Project”). Construction is in process. When completed, the Downsview Project will consist of 1,136 residential units.
2. The shares of DHI are owned as follows: Downsview (51%) and Mattamy (49%).
3. Prior to the commencement of the CCAA proceedings, Mattamy made advances to DHI on behalf of Downsview. Downsview also has obligations to Mattamy under a co-ownership agreement (“Agreement”). Downsview has pledged its shares in DHI to Mattamy as security for the advances and for Downsview’s obligations under the Agreement.
4. Pursuant to a term sheet dated May 25, 2015 (the “bcIMC Term Sheet”), bcIMC Construction Fund Corporation (“bcIMC”) provides construction financing for the Downsview Project. A condition of the bcIMC Term Sheet is that Mattamy and Downsview inject equity into DHI; approximately \$8 million is required to be advanced by Downsview.
5. Downsview does not have the cash to fund its portion of the required equity. If the equity injection is not made, bcIMC may discontinue funding the Downsview Project. Mattamy has agreed to loan Downsview the funds it requires to fund the equity contribution.
6. Downsview has no material assets other than the shares of DHI which are subject to transfer restrictions and co-ownership obligations.

7.1 DHI Facility⁴

1. The terms of the DHI Facility are set out in a term sheet (the “DHI Term Sheet”). A copy of the DHI Term Sheet is attached as Appendix “F”. The significant terms of the DHI Facility are below.
 - a) Amount: \$8 million;

⁴ Terms not defined in this section have the meaning provided to them in the DHI Term Sheet.

- b) Maturity date: the earliest of (i) December 31, 2018; (ii) the date upon which all conditions precedent to a plan under the CCAA have been satisfied; (iii) the date on which Downsview has sufficient funds to repay the DHI Facility in full; and (iv) such earlier date upon which repayment is required due to the occurrence of an Event of Default;
- c) Interest rate: 15% per annum, payable on maturity;
- d) DHI Facility Charge: all obligations of Downsview under the DHI Facility are to be secured by a first-ranking Court ordered charge over all present and after acquired property, assets and undertakings of Downsview, subject only to the UDDI Administration Charge;
- e) Right of First Refusal (“ROFR”): provides Mattamy with 15 days to match the terms of any take-out financing for the DHI Facility;
- f) Conditions:
 - i. entry of the DHI Facility Approval Order by June 15, 2016;
 - ii. Alan Saskin to resign as an officer and director of DHI;
 - iii. bcIMC continues to fund DHI; and
 - iv. the absence of an Event of Default.
- g) Events of default:
 - i. termination of the CCAA proceedings or the CCAA stay of proceedings;
 - ii. an Order modifying the DHI Financing Charge or the Interim Financing Charge, which adversely impacts the rights of Mattamy;
 - iii. an Order modifying the Interim Financing Approval Order or DHI Financing Approval Order without the consent of Mattamy, in a manner which adversely impacts the rights of Mattamy;
 - iv. failure of Downsview to pay any amounts owing to Mattamy when due;
 - v. if Downsview, or an affiliate of Downsview or any director and/or officer of Downsview, takes any actions with respect to Downsview’s business or assets which have a material adverse effect on Mattamy or any assets subject to the DHI Facility Charge;
 - vi. any material breach of a Court Order; and
 - vii. breaches of covenants in the DHI Term Sheet or the bcIMC Term Sheet, which are not remedied for a period of five days.

7.2 Monitor's Recommendation

1. The Monitor considered the following factors when considering the terms of the DHI Facility, as well those set out in Section 11.2 of the CCAA:
 - a) Downsvie is without cash to fund the equity injection. Mattamy has advised that it may consider enforcing its security on the shares of DHI if Downsvie does not contribute its portion of the required equity. Without the equity injection from Downsvie and Mattamy, bcIMC may not fund its loan to the project, which could put the Downsvie Project at risk. The Downsvie Project appears to be a valuable asset. Making the equity injection allows the project to continue without risk to Downsvie's interest;
 - b) At this time, Mattamy is the only party with sufficient understanding of the Downsvie Project and DHI to be able to advance funds prior to the deadline for the equity injection, particularly since the only security to support such funding are Downsvie's shares in DHI, which are already pledged to Mattamy.
 - c) The Monitor is able to repay the DHI Facility at any time, without penalty;
 - d) The DHI Term Sheet is the result of negotiations among the Monitor, Downsvie and Mattamy. The Monitor understands that Mattamy is not willing to provide the interim financing other than on the terms and conditions of the DHI Term Sheet;
 - e) The interest rate on the DIP Facility is consistent with market, particularly given the complexities of the Downsvie project. It is also consistent with the interest rates for advances made on behalf of a defaulting party under the Agreement; and
 - f) The only meaningful security for the DHI Facility are the shares of DHI which are currently pledged to Mattamy to secure obligations owing under the Agreement. The Monitor has considered the ROFR and does not consider this condition to be a practical or material impediment to receiving alternative financing offers which may prove to be more advantageous than the DHI Facility. The Monitor and Downsvie have no current plans to seek alternative financing, in these circumstances;
2. Based on the foregoing, the Monitor believes that the terms of the DIP Term Sheet are reasonable in the circumstances.

8.0 Request for an Extension

1. The Urbancorp CCAA Entities are seeking an extension of the stay of proceedings from June 17, 2016 to September 2, 2016. The Monitor supports the Urbancorp CCAA Entities' request for an extension of the stay of proceedings for the following reasons:
 - a) the Urbancorp CCAA Entities are acting in good faith and with due diligence;
 - b) no creditor will be materially prejudiced if the extension is granted;
 - c) it will allow the Urbancorp CCAA Entities the opportunity to continue the realization process for the Properties;
 - d) it will allow the Monitor to address a myriad of other issues affecting the Urbancorp CCAA Entities; and
 - e) as of the date of this Report, neither the Urbancorp CCAA Entities nor the Monitor is aware of any party opposed to an extension.

9.0 Overview of the Monitor's Activities

1. The Monitor's activities since the commencement of the proceedings have included:
 - a) carrying out the Monitor's duties and responsibilities in accordance with the Initial Order;
 - b) corresponding with Davies Ward Phillips & Vineberg LLP, counsel to the Monitor, and Borden Ladner Gervais LLP, counsel to the Urbancorp CCAA Entities, concerning all matters in the CCAA proceedings;
 - c) attending on a near daily basis at the Urbancorp CCAA Entities' head office;
 - d) corresponding regularly with purchasers of residential units regarding the status of their deposits and their projects;
 - e) preparing and arranging for an advertisement in *The Globe and Mail* as required under the CCAA;
 - f) preparing and e-filing with the Office of the Superintendent of Bankruptcy Form 1 and Form 2, as required by the CCAA;
 - g) considering a letter of intent provided by a national home builder in respect of the Properties;
 - h) reviewing the Urbancorp CCAA Entities' daily bank activity;
 - i) reviewing information regarding the Group's geothermal assets;
 - j) making a digital backup of the Group's books and records;

- k) considering UTMI's costs, as well as the allocation of those costs between the Urbancorp CCAA Entities and entities not included in the CCAA proceedings;
- l) corresponding with Fuller Landau and A&M regarding their insolvency proceedings;
- m) corresponding with Harris Schaeffer LLP, the Group's corporate lawyers, to obtain information concerning the background of the Urbancorp CCAA Entities;
- n) corresponding with MNP LLP, the Group's accountants;
- o) considering and advancing a sale process, including compiling a list of prospective purchasers and assembling an electronic data room;
- p) corresponding frequently with interested purchasers and lenders;
- q) convening meetings with UTMI's employees to apprise them of developments in the restructuring process;
- r) reviewing information provided by the Urbancorp CCAA Entities in connection with the Properties, including:
 - i. purchase and sale agreements;
 - ii. site plan details;
 - iii. environmental reports and development reports;
 - iv. schedules summarizing deposits received from home buyers;
 - v. property surveys; and
 - vi. appraisals.
- s) corresponding extensively with key stakeholders in these proceedings, including secured lenders and their respective legal counsel;
- t) preparing the DIP Solicitation Process materials;
- u) compiling information in a data room in respect of the DIP Solicitation Process;
- v) corresponding with the Urbancorp CCAA Entities' insurance broker to add the Monitor as a loss payee and named insured on the insurance policies;
- w) preparing a Request for Proposals in connection with the process to solicit proposals from realtors;
- x) paying expenses incurred in the CCAA proceedings;
- y) corresponding regularly with the Functionary and its Canadian counsel;

- z) corresponding regularly with Mattamy and its counsel;
- aa) negotiating the DHI Facility;
- bb) changing the signatories on the Urbancorp CCAA Entities' bank accounts to representatives of the Monitor, as required pursuant to the Initial Order;
- cc) mailing a notice to the Urbancorp CCAA Entities' creditors, as required pursuant to the CCAA;
- dd) reviewing the Projection and the underlying assumptions;
- ee) preparing Management's Reports on Cash Flow Statement;
- ff) preparing the Monitor's Reports on Cash Flow Statement;
- gg) preparing an e-mail to the Service List, as required pursuant to the Commercial List E-Service Protocol;
- hh) corresponding with UTMI's employee benefits provider to arrange for the continuation of benefits during the CCAA proceedings;
- ii) corresponding with Bennett Jones LLP, Mr. Saskin's counsel, regarding various matters in these proceedings;
- jj) corresponding with prospective purchasers of the Urbancorp CCAA Entities' properties;
- kk) responding to enquiries from creditors, including the various secured creditors of the Urbancorp CCAA Entities;
- ll) corresponding with representatives of Scotiabank, a lender to Kings Club Development Inc. ("Kings Club");
- mm) reviewing information concerning Urbancorp New Kings Inc.'s ("UNKI") investment in Kings Club;
- nn) corresponding with legal counsel for representatives of First Capital Realty Inc., UNKI's partner in the Kings Club development;
- oo) posting materials filed with the Court to the Monitor's website for these proceedings;
- pp) maintaining the service list; and
- qq) drafting this Report.

10.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (f) of this Report.

* * *

All of which is respectfully submitted,

A handwritten signature in cursive script that reads "KSV Kofman Inc".

**KSV KOFMAN INC.
IN ITS CAPACITY AS CCAA MONITOR OF
THE URBANCORP CCAA ENTITIES
AND NOT IN ITS PERSONAL CAPACITY**

Schedule "A"

Urbancorp (952 Queen West) Inc.
King Residential Inc.
Urbancorp 60 St. Clair Inc.
High Res. Inc.
Bridge on King Inc.
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.

Appendix “A”

Appendix “B”

**Request for Proposals for
REAL ESTATE BROKER SERVICES**

**Re: Urbancorp (St. Clair Village) Inc. (“St. Clair”), Urbancorp (Patricia) Inc. (“Patricia”),
Urbancorp (Mallow) Inc. (“Mallow”) and Urbancorp (Lawrence) Inc. (“Lawrence”)
(collectively, the “Companies”)**

KSV Kofman Inc. (“KSV”), in its capacity as monitor (the “Monitor”) of the Companies under the *Companies’ Creditors Arrangement Act* (“CCAA”), invites proposals to provide real estate broker services for the following freehold home properties that were former schoolboard sites (the “Properties”):

- 425 Patricia Avenue, Toronto, Ontario, owned by Patricia;
- 15 Mallow Road, Toronto, Ontario, owned by Mallow;
- 177 Caledonia Road, Toronto, Ontario, owned by St. Clair; and
- 1780 Lawrence Avenue West, Toronto, Ontario, owned by Lawrence.

Proposals must be submitted to Noah Goldstein, Senior Manager, KSV Kofman Inc., 150 King Street West, Suite 2308, Toronto, Ontario M5H 1J9 by 5:00 p.m. (Toronto time) on June 13, 2016.

For more information or questions, please contact Mr. Goldstein at (416) 932-6207 or at ngoldstein@ksvadvisory.com.

A. Background

- On April 21, 2016, the Companies each filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to Part III of the *Bankruptcy and Insolvency Act* (“BIA”) and KSV was appointed as Proposal Trustee of the Companies.
- On May 18, 2016, the Companies and several other related companies filed for, and were granted, protection under the CCAA. KSV is the Court-appointed Monitor in the CCAA proceedings.
- Copies of all Court Orders made, and other court materials filed, in these proceedings are available on the Monitor’s website at:

<http://www.ksvadvisory.com/insolvency-cases-2/urbancorp/>
- The Monitor is now accepting proposals (“Proposals”) to act as listing agent to market the Properties for sale.
- The terms of any sale process and the selection of a broker are subject to Court approval.

B. Proposal Submission Deadline

- The Proposals are to be submitted to the Monitor by 5:00 p.m. (Toronto time) on June 13, 2016.

C. Agent's Role

The agent's role will include, *inter alia*, the following:

- assisting to prepare a detailed marketing process, including timelines for the sale process;
- establishing an estimated value for the Properties;
- developing a marketing plan for the Properties, with the assistance of the Monitor;
- preparing and providing all marketing materials, with input from the Monitor;
- advertising the Properties for sale at the agent's expense, including to international buyers, to the extent relevant;
- obtaining and negotiating confidentiality agreements from interested parties;
- showing the Properties to interested parties and establishing and maintaining a data room or data rooms to facilitate the sale process;
- qualifying interested parties from a financial prospective;
- assisting interested parties in their due diligence;

- assisting the Monitor to assess offers submitted;
- providing the Monitor with a report summarizing the sale process with respect to each of the Properties, to be relied upon by the Monitor to support the Monitor's recommended transaction; and
- assisting the Monitor to close the transaction or transactions.

D. Proposal Content

The Proposal must contain the following:

- **Work Plan:** all bidders shall provide a detailed work plan.
- **Firm Background and Staff Experience:** all bidders shall provide background of the firm, including the experience of their staff on this assignment (including résumés).
- **Bidder's Liability Insurance Certificate:** a copy of the bidder's liability insurance certificate should be included with the Proposal.
- **Compensation Structure:** all proposals shall indicate the proposed compensation structure.
- **Conflict of Interest Statement:** bidder shall disclose any professional or personal financial interests which could be a possible conflict of interest. In addition, all bidders shall further disclose any arrangements to derive additional compensation.

E. Proposal Consideration

The factors on which each Proposal will be considered include the following:

- Bidder's marketing plan.
- Depth of reach, including international targets.
- Professional qualifications of individuals assigned to the project.
- Compensation structure.
- Other factors as determined by the Monitor at its sole discretion.

Appendix “C”

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the entities listed on Schedule "A" ("Urbancorp CCAA Entities") for the period June 4, 2016 to September 2, 2016 in respect of its proceedings under the *Companies' Creditors Arrangement Act*.

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions.

Hypothetical Assumptions

2. Represents an estimate of the initial draw down under the DIP loan for which the Monitor is currently soliciting proposals.
3. Represents the proceeds of a debtor-in-possession loan (the "DHI Facility") contemplated to be advanced by Mattamy (Downsview) Limited ("Mattamy") to Downsview Park Development Inc. ("Downsview"). Downsview and Mattamy are co-owners of Downsview Homes Inc., which is developing a residential property ("Downsview Project"). The DHI Facility will be used by Downsview to make an equity injection into the Downsview Project that is required for construction financing.

Most Probable Assumptions

4. Represents rental income earned from condominiums owned by the Urbancorp CCAA Entities and by Edge Residential Inc. and Edge on Triangle Park Inc. (the "Edge Companies").
5. Payroll is paid bi-monthly. Payroll includes source deductions, benefits and WSIB.
6. Represents financing costs related to rental units owned by the Urbancorp CCAA Entities.
7. Represents office supplies, postage and office cleaning costs.
8. Includes fees for municipal lawyers, architects, municipal planners, civil engineers, environmental engineers, landscape architects and traffic consultants.
9. Includes costs for fence rental, daily inspection, minor housekeeping, the removal of garbage, yard maintenance and general repairs.
10. Represents property tax installments due to the City of Toronto.
11. Represents annual insurance premiums.
12. Represents transfers of rent collected on behalf of Edge Companies to Fuller Landau LLP, the Proposal Trustee of the Edge Companies.
13. Represents land development costs.
14. The professional fees are in respect of the Monitor, its legal counsel and legal counsel to the Urbancorp CCAA Entities. Professional fees are estimated and the allocation of these fees across each entity is subject to change.
15. Represents the opening cash balance in the Urbancorp CCAA Entities' bank accounts as at June 4, 2016.

Urbancorp Filing Entities Listed on Schedule "A"

Notes to Projected Statement of Cash Flow

For the Period Ending September 2, 2016

(Unaudited; \$C)

16. Represents the estimated opening cash balance held in trust for Urbancorp Partner (King South) Inc. ("King South") by the Monitor. Pursuant to an interim credit facility, King South is advancing funds to the other Urbancorp CCAA Entities, as requested, during the CCAA proceedings. All such advances are secured against the property of the borrower. An accounting of all intercompany advances is being maintained.

Schedule "A"

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 60 St. Clair Inc.
High Res. Inc.
Bridge on King Inc.
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.

**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 60 ST.
CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC., AND THE AFFILIATED ENTITIES
LISTED IN SCHEDULE "A" HERETO**

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management 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 60 St. Clair Inc., Hi Res. Inc. Bridge on King Inc. and the affiliated entities listed in Schedule "A" Hereto (collectively, the "Companies"), have developed the assumptions and prepared the attached statement of projected cash flow as of the 9th day of June, 2016 for the period June 4, 2016 to September 2, 2016 ("Cash Flow").

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the Cash Flow. All such assumptions are disclosed in Notes 2 to 16.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1, using a set of hypothetical and probable assumptions set out in Notes 2 to 16. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 9th day of June, 2016.



Alan Saskin, Director

The Companies

SCHEDULE "A"

- 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.

Appendix “D”

**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 60 ST.
CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC., AND THE AFFILIATED ENTITIES
LISTED IN SCHEDULE "A" HERETO**

**MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)**

The attached statement of projected cash-flow 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 60 St. Clair Inc., Hi Res. Inc. Bridge on King Inc. and the affiliated entities listed in Schedule "A" Hereto (collectively, the "Companies"), as of the 9th day June, 2016, consisting of a weekly projected cash flow statement for the period June 4, 2016, to September 2, 2016 ("Cash Flow") has been prepared by the management of the Companies for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Notes 2 to 16.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Companies. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Companies or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto this 9th day of June, 2016.

A handwritten signature in blue ink, appearing to read "KSV Kofman Inc.", is written in a cursive style.

**KSV KOFMAN INC.
IN ITS CAPACITY AS CCAA MONITOR OF
THE URBANCORP CCAA ENTITIES
AND NOT IN ITS PERSONAL CAPACITY**

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.

Appendix “E”



June 6, 2016

DELIVERED BY EMAIL

•

Attention: •

Dear •:

Re: Urbancorp CCAA Entities

On April 21, 2016, Urbancorp (St. Clair Village) Inc. ("St. Clair"), Urbancorp (Lawrence) Inc. ("Lawrence"), Urbancorp (Patricia) Inc., Urbancorp (Mallow) Inc., Urbancorp Downsview Park Development Inc. and Urbancorp Toronto Management Inc. (collectively, the "NOI Entities") each filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act*.

Pursuant to an order made by the Ontario Superior Court of Justice (Commercial List) ("Court") dated May 18, 2016 ("Initial Order"), the NOI Entities together with the entities listed on Appendix "A" attached, were granted protection under the *Companies' Creditors Arrangement Act* ("CCAA") and KSV Kofman Inc. was appointed monitor (the "Monitor"). (The NOI Entities and the entities listed on Appendix "A" are referred to as the "Urbancorp CCAA Entities".) Copies of the Initial Order and other motion materials filed in these proceedings are available on the Monitor's website at: <http://www.ksvadvisory.com/insolvency-cases-2/urbancorp/>.

The principal purpose of the CCAA proceedings is to create a stabilized environment to allow the Urbancorp CCAA Entities the opportunity to consider their restructuring options, including development opportunities and/or selling some or all of their properties through a Court supervised sale process.

The Monitor is seeking proposals to provide debtor-in-possession financing ("DIP Financing") to:

- a) fund the working capital needs and professional costs of the Urbancorp CCAA Entities during these restructuring proceedings; and
- b) repay in full amounts that have been loaned among the Urbancorp CCAA Entities since the commencement of NOI proceedings.

In respect of item (b) above, the Interim Lender's Charge as provided for in paragraph 40 of the Initial Order¹ is to be discharged and extinguished. The Intercompany Lender's Charge as provided for in paragraph 39 of the Initial Order is to remain in place in order to continue to ensure that all intercompany loans continue to have the benefit of a Court ordered priority charge. This will, therefore, continue to secure all amounts loaned by St. Clair and Lawrence to any of the other Urbancorp CCAA Entities.

The key terms of the DIP facility are as follows:

¹ A copy of the Initial Order can be found on the Monitor's website.

| | |
|---------------------|---|
| Principal Borrowers | St. Clair and Lawrence |
| Committed Amount | \$10 million |
| Completion Date | Required to be in place by June 30, 2016 |
| Primary Collateral | Real property owned by St. Clair and Lawrence (the "Collateral") |
| Charge | A Court ordered, first ranking charge on the Collateral, subject to the Administration Charge created under the Initial Order |

Information concerning the St. Clair and Lawrence properties will be made available you in an online data room upon execution and return of the Confidentiality Agreement attached hereto as Appendix "B". Kindly sign the Confidentiality Agreement and return it to Noah Goldstein of our office at ngoldstein@ksvadvisory.com.

The Monitor has prepared a draft term DIP term sheet, attached as Appendix "C" ("Term Sheet"). A soft copy of the Term Sheet will be available in the data room. Should you be interested in submitting a proposal to provide the DIP Financing, you are encouraged to submit your proposal substantially in the form of the Term Sheet, with any changes blacklined against the original.

DIP Financing proposals must be submitted to the Monitor on or before 5 p.m. (Toronto time) on June 17, 2016.

The selected DIP Financing proposal will require Court approval. The Monitor is not obliged to accept any offer. The Monitor reserves the right to evaluate all offers, to negotiate their terms and to reject any and all offers and to amend the DIP Financing process as it considers appropriate.

If you have any questions, please do not hesitate to contact the undersigned.

Yours very truly,

**KSV KOFMAN INC.
IN ITS CAPACITY AS COURT-APPOINTED MONITOR
OF THE URBANCORP CCAA ENTITIES
AND NOT IN ITS PERSONAL CAPACITY**

Appendix "A"

Urbancorp (952 Queen West) Inc.
King Residential Inc.
Urbancorp 60 St. Clair Inc.
High Res. Inc.
Bridge on King Inc.
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.



June 6, 2016

To: Prospective DIP Financiers

Dear Sir/Madam:

Re: DIP Financing: Confidentiality Agreement

On April 21, 2016, Urbancorp (St. Clair Village) Inc. ("St. Clair"), Urbancorp (Patricia) Inc., Urbancorp (Mallow) Inc., Urbancorp Downsview Park Development Inc., Urbancorp (Lawrence) Inc. ("Lawrence") and Urbancorp Toronto Management Inc. (collectively, the "NOI Entities") each filed a Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act*.

Pursuant to an order made by the Ontario Superior Court of Justice (Commercial List) dated May 18, 2016, the NOI Entities together with the entities listed on Schedule "A" attached were granted protection under the *Companies' Creditors Arrangement Act* ("CCAA") and KSV Kofman Inc. was appointed monitor (the "Monitor"). (The NOI Entities and the entities listed on Schedule "A" are referred to as the "Urbancorp CCAA Entities".)

In connection with your interest in providing a debtor-in-possession facility ("DIP Facility") to St. Clair and Lawrence (jointly, the "Borrowers"), you have requested certain oral and written information from the Urbancorp CCAA Entities and the Monitor. References to the "Information Parties" herein shall mean the Monitor and employees and/or agents of the business carried on by the Urbancorp CCAA Entities (the "Business"). All such information furnished to you or your Representatives (as defined below) by or on behalf of the Information Parties (irrespective of the form of communication and whether such information is so furnished before, on or after the date hereof), and all analyses, compilations, data, studies, notes, interpretations, memoranda or other documents prepared by you or your Representatives containing or based in whole or in part on any such furnished information are collectively referred to herein as the "Information". Information about identifiable individuals is referred to as "Personal Information".

In consideration of furnishing you with the Information, the Monitor requests your agreement to, and you agree to and will cause your Representatives to comply with, the following:

1. The Information will be used solely for the purpose of evaluating your interest in providing a DIP Facility, and the Information will be kept strictly confidential and will not be disclosed by you or your Representatives, except that you may disclose the Information or portions thereof to those of your directors, officers, shareholders and employees and representatives of your legal, accounting and financial advisors (the persons to whom such disclosure is permissible being collectively referred to herein as the "Representatives") who need to know such information for the purpose of evaluating such DIP Facility; provided that such Representatives are informed of the confidential and proprietary nature of the Information and agree to comply with the terms of this agreement ("Agreement"). You agree to be responsible for any breach of this Agreement by your Representatives (it being understood that such responsibility shall be in addition to and not by way of limitation of any right or remedy the Monitor and/or other beneficiaries of this Agreement may have against such Representatives with respect to any such breach).

2. Except with the prior written consent of the Monitor, neither you nor your Representatives will disclose to any person either the fact that any investigations, discussions or negotiations are taking place concerning a DIP Facility, or that you have received Information from any of the Information Parties, or any of the terms, conditions or other facts with respect to any such possible DIP Facility or involvement, including the status thereof. The term "person" as used in this Agreement will be interpreted broadly to include the media and any corporation, company, group, partnership, limited liability company, trust or other entity or individual.
3. If you or any of your Representatives become legally compelled (including by deposition, discovery, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Information, you shall provide the Monitor with prompt prior written notice of such requirement so that the Monitor may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Agreement. If such protective order or other remedy is not obtained, or if the Monitor waives compliance with the provisions hereof, both you and your Representatives shall disclose only that portion of the Information which is legally required to be disclosed and shall take all reasonable steps to attempt to preserve the confidentiality of the Information.
4. Other than with regard to "Personal Information" the term "Information" does not include any information which (i) at the time of disclosure is generally available to the public (other than as a result of a disclosure directly or indirectly by you or your Representatives or a person that disclosed such information in breach of a confidentiality obligation owed to the Monitor) or (ii) was available to you on a non-confidential basis from a source other than any of the Information Parties or their respective advisors, provided that such source was not known by you to be bound by a confidentiality obligation owed to the Monitor.
5. Notwithstanding anything to the contrary contained in this Agreement, the following additional restrictions shall apply to Personal Information: (a) Personal Information will be kept confidential at all times in accordance with the terms of this Agreement and will not be used or disclosed except in accordance with applicable law; (b) you shall store the Personal Information properly and securely and ensure that appropriate physical, technological and organizational measures are in place to protect the Personal Information against unauthorized or unintended access, use or disclosure; (c) you shall not retain, for any longer than necessary, any records pertaining to Personal Information; and (d) the confidentiality and non-use obligations in this Agreement pertaining to Personal Information shall survive any termination or expiration of this Agreement.
6. If you determine not to pursue a DIP Facility, you will promptly notify the Monitor and its counsel of your determination. At the time of such notice, or if, at any earlier time, the Monitor so directs (whether or not you determine to pursue a DIP Facility), you and your Representatives will promptly return to the Monitor (whether or not prepared by the Information Parties or otherwise on their behalf), or destroy, all Information and all copies, extracts or other reproductions in whole or in part thereof. Notwithstanding the return of the Information, you and your Representatives will continue to be bound by this Agreement.

7. You understand and acknowledge that none of the Information Parties, or any of their officers, directors, employees, shareholders, representatives or agents is making any representation or warranty, express or implied, as to the accuracy or completeness of the Information, and none of the Information Parties, or any of their officers, directors, shareholders, employees, representatives or agents, will have any liability to you or any other person resulting from your use of the Information. Only those representations or warranties that are made to you in a definitive written agreement regarding a DIP Facility (a "Definitive Agreement") when, as, and if it is executed, and subject to such limitations and restrictions as may be specified in such Definitive Agreement, will have any legal effect. For greater certainty, the term "Definitive Agreement" does not include an executed letter of intent or any other preliminary written agreement nor does it include any written or oral acceptance by the Information Parties of any offer or bid, if any, made by you or your Representative.
8. Unless and until a Definitive Agreement with respect to a DIP Facility has been executed and delivered, the Monitor has no legal obligation of any kind whatsoever with respect to a DIP Facility by virtue of this Agreement or any other written or oral expression with respect to a DIP Facility except, in the case of this Agreement, for the matters specifically agreed to herein.
9. Except with the prior written consent of the Monitor, you, your Representatives and your affiliates and their Representatives shall not have discussions with, or negotiate with, any persons other than the Monitor to (a) in any manner acquire, agree to acquire or make any proposal to acquire, directly or indirectly, any property related to the Business (other than purchases of products in the ordinary course of business), (b) enter into, directly or indirectly, any merger, joint venture or business combination involving the Business, (c) control or influence the management of the Business, (d) acquire any debt of the Urbancorp CCAA Entities, or seek to control or influence any creditors of the Urbancorp CCAA Entities in their actions or relationships with respect to the Urbancorp CCAA Entities, or (e) advise, assist or encourage any other persons in connection with any of the foregoing.
10. No provision in this Agreement can be waived or amended except by written consent of the Monitor, which consent shall specifically refer to this paragraph and explicitly make such waiver or amendment.
11. You agree that monetary damages would not be a sufficient remedy for any breach of this Agreement by you and that the Monitor and/or the Urbancorp CCAA Entities shall be entitled to, and you shall not oppose the granting of, equitable relief, including injunction and specific performance, in the event of any such breach, in addition to all other remedies available to the Monitor and/or the Urbancorp CCAA Entities at law or in equity or otherwise.
12. You agree that no failure or delay by the Monitor and/or the Urbancorp CCAA Entities in exercising any right, power or privilege hereunder will operate as a waiver thereof or an estoppel thereto, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.
13. If any provision of this Agreement is found to violate any statute, regulation, rule, order or decree of any governmental authority, court, agency or exchange, such invalidity shall not be deemed to affect any other provision hereof or the validity of the remainder of this Agreement, and such invalid provision shall be deemed deleted herefrom to the minimum extent necessary to cure such violation.
14. All contacts by you or your Representatives regarding the Information, a DIP Facility or otherwise shall be made through representatives of the Monitor or such other person as you are notified by the Monitor, in writing, to contact.

15. Any requirement for you to provide notice or other communication shall be in writing and may be delivered personally or transmitted by fax or email, addressed as follows:

If to the Monitor:

KSV Kofman Inc.
150 King Street West, Suite 2308
Toronto, ON M5H 1J9
Attention: Noah Goldstein
Fax: 416.932.6266
Email: ngoldstein@ksvadvisory.com

16. You acknowledge and agree that the Monitor is not obligated to accept any offer, including the best offer.
17. This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein without regard to the conflicts of law principles thereof.
18. If you agree with the foregoing, please sign and return a copy of this letter, which will constitute our agreement with respect to the subject matter hereof.

Yours very truly,



**KSV KOFMAN INC.
IN ITS CAPACITY AS COURT APPOINTED CCAA MONITOR OF
THE URBANCORP CCAA ENTITIES
AND NOT IN ITS PERSONAL CAPACITY**

CONFIRMED AND AGREED

Schedule "A"

Urbancorp (952 Queen West) Inc.

King Residential Inc.

Urbancorp 60 St. Clair Inc.

High Res. Inc.

Bridge on King Inc.

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.

June 6, 2016

KSV Kofman Inc.
 In its capacity as CCAA Monitor of the
 Urbancorp Entities Listed on Schedule A attached
 (the "**Urbancorp CCAA Entities**"),
 and not in its personal capacity

Attention: Mr. Robert Kofman, President

Dear Mr. Kofman:

Re: Debtor-in-Possession Financing under the *Companies' Creditors Arrangement Act*
("CCAA")

This agreement (the "**Agreement**") summarizes the terms under which • (the "Lender") would be prepared to provide such financing, subject to the satisfaction of the conditions summarized in this Agreement.

| | |
|--------------|---|
| Borrowers | Urbancorp (St. Clair Village) Inc. and/or Urbancorp (Lawrence) Inc. (" Borrowers ") |
| DIP Facility | Non-revolving, super-priority, credit facility (the " DIP Facility ") in the aggregate amount of up to \$10 million, inclusive of principal, accrued interest and unpaid fees (the " Maximum Amount "). |
| Purpose | <p>The DIP Facility is for the purpose of funding during these CCAA proceedings, including: a) the operating costs, expenses and liabilities of the Urbancorp CCAA Entities (including, without limitation, wages and active employee benefits, insurance, security and necessary expenditures); b) transaction costs and expenses incurred by the Lender in connection with the DIP Facility; c) professional fees and expenses incurred by the Borrowers and the Monitor in respect of the DIP Facility and the CCAA proceedings; d) to repay in full any monies advanced under the Interim Credit Facility and all Approved Intercompany Advances, as defined and provided for in the Initial Order issued in the CCAA proceedings.</p> <p>The Borrowers may advance funds to other Urbancorp CCAA Entities which advances will be secured by the Intercompany Lender's Charge as provided for in the Initial Order.</p> |

| | |
|-------------------------------|--|
| Availability | <p>Subject to the satisfaction of the conditions summarized in this Agreement, and compliance with the DIP Approval Order (defined below), advances (each an “Advance” and collectively “Advances”) under the DIP Facility will be made available in tranches of \$500,000, as requested by the Monitor pursuant to a drawdown certificate it issues (each an “Advance Request”), and in aggregate shall not exceed the Maximum Amount.</p> <p>Advances shall be funded by wire transfer into an account designated by the Monitor.</p> |
| Repayment | <p>The Borrowers are to repay all obligations owing under the DIP Facility (the “DIP Obligations”) on the earlier of: a) an Event of Default (as defined below) that has not been remedied; or b) June 30, 2017, as may be extended by the Monitor and Lender in writing (“Repayment Date”).</p> |
| Voluntary Payments | <p>The Borrowers may make payments of not less than \$500,000 on account of the DIP Obligations at any time and from time to time without bonus or penalty but on two days’ written notice.</p> |
| Interest Rate | <p>Interest on the principal amount of each Advance outstanding from time to time shall be calculated at a rate of • (•%) percent per annum, which interest shall be calculated on the daily outstanding balance owing under the DIP Facility, not in advance, and shall be compounded monthly on the last day of each month and shall be payable both before and after default, judgment and the date that all indebtedness, obligations, liabilities of the Borrowers to the Lender under the DIP Facility become due and payable. All interest on the DIP Facility shall accrue and be paid on the Repayment Date.</p> |
| Fees | <p>The Borrowers will pay the following fees:</p> <ul style="list-style-type: none">• a non-refundable commitment fee in the amount of \$•; and• an extension fee of \$• on each extension of the DIP Facility of not less than 60 Days. The extension fee payable in respect of any extension of less than 60 days shall be proportionate (i.e., for an extension of 30 days, the extension fee would be half.) <p>The fees shall be payable in full on the Repayment Date.</p> |
| Joint and Several Obligations | <p>The obligations and liabilities of the Borrowers hereunder shall be joint and several.</p> |
| Security | <p>The payment and performance of the DIP Obligations shall be secured and assured by a super priority Court ordered charge in favour of the Lender (the “DIP Charge”) over all of the real property of the Borrowers and all monies receivable by the Borrowers from their affiliates resulting from advances to such affiliates of the monies advanced to the Borrowers hereunder (the “Collateral”).</p> <p>The DIP Charge will rank in priority to all other encumbrances of any kind whatsoever except for (a) a Court ordered administration charge to secure payment of professional fees of the Borrowers, the Monitor and its legal</p> |

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| | <p>counsel in a principal amount not to exceed \$750,000 (the "Administration Charge") and (b) any permitted encumbrances as provided for in the DIP Approval Order ("Permitted Encumbrances").</p> <p>The charges applicable in the CCAA shall rank in the following order of priority: first, the Administration Charge and second, the DIP Charge.</p> |
| Conditions Precedent to the DIP Facility and to Advances | <p>The DIP Facility will become effective upon, and the ability of the Borrowers to obtain Advances from time to time shall be subject to, the satisfaction of the following conditions:</p> <ul style="list-style-type: none">● the delivery to the Lender, with a copy to the Monitor, of an Advance Request;● an Order in the CCAA proceedings, in form and content satisfactory to the Lender, approving this DIP Facility (the "DIP Approval Order") will have been obtained;● there will be no pending appeals, injunctions or other legal impediments relating to the completion of the DIP Facility or pending litigation seeking to restrain or prohibit the completion of the DIP Facility;● the representations and warranties will be true and correct in every material respect;● no Event of Default will have occurred or be continuing; <p>and</p> <ul style="list-style-type: none">● the Lender shall not have demanded repayment of the DIP Obligations. |
| Representations and Warranties | <p>To induce the Lender to make the DIP Facility available to the Borrowers and enter into the Loan Documents, the Monitor will cause management of the Borrowers to provide the Lenders with a management certificate representing and warranting to the Lender the following (which representations and warranties will be deemed to be repeated upon each Advance being made to the Borrowers):</p> <ul style="list-style-type: none">● the Borrowers are corporations duly incorporated, and validly existing under the laws of its jurisdiction of incorporation and are duly qualified, licensed or registered to carry on business under the laws applicable to each of them in all jurisdictions in which the nature of its assets or business makes such qualification necessary;● the Borrowers have all requisite corporate power and authority to own and operate their properties, assets and business, and to enter into and perform its obligations under these Loan Documents, subject to the DIP Approval Order to be issued by the Ontario Superior Court of Justice – Commercial List (the "Court");● the execution and delivery of this Agreement and any and all related loan documentation, if any, (collectively, the "Loan Documents") by the Borrowers and the performance by the Borrowers of the obligations thereunder have been duly authorized by all necessary corporate action and no authorization under any applicable law, and no registration, qualification, designation, declaration or filing with any Governmental Authority, is or was necessary therefor other than obtaining the DIP Approval Order, where the term "Governmental Authority" herein means |

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| | <p>any domestic or foreign (a) federal, provincial, state, municipal, local or other government, (b) any governmental or quasi-governmental authority of any nature, including any governmental ministry, agency, branch, department, court, commission, board, tribunal, bureau or instrumentality, or (c) any body exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power of any nature;</p> <ul style="list-style-type: none">● the businesses of the Borrowers have been and will continue to be conducted in material compliance with all laws of each jurisdiction in which the businesses have been or are being carried on;● except as disclosed to the Lender in writing, and as it relates to the Collateral: (a) the Borrowers are and have been in material compliance with all applicable environmental laws, including obtaining, maintaining and complying with all permits required by any applicable environmental law, (b) neither of the Borrowers are party to, and no real property currently or previously owned, leased or otherwise occupied by or for the Borrowers is subject to or the subject of, any contractual obligation or any pending or threatened order, action, investigation, suit, proceeding, audit, claim, demand, dispute or notice of violation or of potential liability or similar notice under or pursuant to any environmental law, (c) no encumbrance in favour of any Governmental Authority securing, in whole or in part, environmental liabilities has attached to any property of the Borrowers and no facts, circumstances or conditions exist that could reasonably be expected to result in any such encumbrance attaching to any such property, (d) the Borrowers have not caused or suffered to occur a release or conditions creating any potential for a release at, to or from any real property, (e) the Borrowers are not and have not engaged in operations that, and no facts, circumstances or conditions exist that, in the aggregate, would have a reasonable likelihood of resulting in material environmental liabilities, and (f) the Borrowers have made available to the Lender copies of all existing environmental reports, reviews and audits and all documents pertaining to actual or potential environmental liabilities, in each case to the extent such reports, reviews, audits and documents are in their possession, custody or control; and● There are no unregistered charges, carried interests, rights of first refusal, or other rights for the benefit of third parties affecting the Collateral. |
| Positive Covenants | <p>Until the DIP Obligations have been repaid in full and the DIP Facility terminated, the Monitor, on behalf of the Borrowers, covenants and agrees to do or to cause the Borrowers to do the following:</p> <ul style="list-style-type: none">● the Lender shall be an unaffected creditor in the CCAA proceedings in respect of the DIP Obligations and any other present and future indebtedness, liabilities and obligations of the Borrowers to the Lender;● the DIP Obligations and any other present and future indebtedness, liabilities and obligations of the Borrowers to the Lender shall not be subject to any compromise or arrangement; |

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| | <ul style="list-style-type: none">● comply with all Orders made in the CCAA proceedings except to the extent such Orders have been in whole or in part stayed, reversed, modified or amended;● keep the Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Borrowers;● deliver to the Lender such reporting and other information from time to time reasonably required by the Lender;● use the Advances only for the purposes contemplated hereby;● maintain its corporate existence;● except where the stay of proceedings applies under the CCAA, pay promptly when due all statutory Priority Payables, including those payments which rank ahead of the DIP Charge or with respect to such claims arising after the commencement date of the CCAA proceedings;● insure and keep insured, to the extent necessary, the Collateral on terms acceptable to the Lender naming the Lender as loss payees and additional insured;● permit the Lender and its representatives access at any reasonable time to the premises, books, records, information or data of the Borrowers and permit the Lender to make copies of and abstracts from such records, information or data;● comply with all applicable laws, rules and regulations applicable to the business of the Borrowers, including without limitation environmental laws; and● pay to the Lender in an amount up to the DIP Obligations then owing to the Lender, proceeds of disposition received by the Borrowers from the sale of the Collateral. |
| Negative Covenants | <p>Until the DIP Obligations have been repaid in full and the DIP Facility terminated, the Borrowers covenant and agree not to do or cause to be done the following:</p> <ul style="list-style-type: none">● apply for or consent to any change, amendment or modification to any Order issued in the CCAA proceedings without the prior written consent of the Lender, or fail to oppose any application or motion for a change, amendment or modification to such Orders opposed by the Lender;● create, assume, incur or suffer to exist any encumbrance, without the consent of the Lender, during the CCAA proceedings other than the DIP Charge, Intercompany Lender's Charges (as defined and provided for in the Initial Order issued in the CCAA proceedings), Director's Charge (as defined and provided for in the Initial Order issued in the CCAA proceedings) and the Administration Charge;● make any corporate distributions of any kind whatsoever to any director, officer or shareholder of the Borrowers, unless approved by the Lender and the Monitor; and |

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| | <ul style="list-style-type: none">• enter into any transaction without the approval of the Court whereby all or substantially all of its undertaking, property and assets would become the property of any other person whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, it being understood that a primary purpose of these proceedings is to conduct a process to solicit interest in a transaction for the Collateral and other assets of the Urbancorp CCAA Entities. |
| Reporting Covenants | <p>Until the DIP Obligations have been repaid in full and the DIP Facility terminated, the Borrowers covenant and agree to do or cause to be done the following:</p> <ul style="list-style-type: none">• provide prompt written notice of any action, investigation, suit, proceeding, claim or dispute before any court, governmental department, bureau, agency or similar body affecting the Borrowers not stayed in the CCAA proceedings; and• no less than monthly, on a date and at a time convenient to the Lender, acting reasonably, and starting on •, 2016, the Monitor shall make itself available on a conference call, in which the Monitor and the Lender will participate, where the Lender will be updated with respect to developments relating the Borrowers and the CCAA proceedings. |
| Expenses | <p>The Monitor will cause the Borrowers to reimburse the Lender for all reasonable fees (including legal and professional fees on a full indemnity basis), disbursements and out-of-pocket expenses incurred by the Lender in any manner in connection with the CCAA proceedings, the Loan Documents, any borrowings and any enforcement of the Loan Documents and DIP Charge. All such fees, disbursements and expenses shall be included in the DIP Obligations and secured by the DIP Charge.</p> |
| Events of Default | <p>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 DIP Facility:</p> <ul style="list-style-type: none">(a) The issuance of an order terminating the CCAA proceedings or lifting the stay in the CCAA proceedings to permit the enforcement of any security against one or both of the Borrowers or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against one or both of the Borrowers;(b) The issuance of an order granting an Encumbrance equal or superior status to that of the DIP Charge, other than the Priority Payables;(c) The issuance of an order staying, reversing, vacating or otherwise modifying the DIP Charge or, any Orders in a manner which adversely impacts the rights and interests of the Lender;(d) If (i) the DIP 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; |

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| | <ul style="list-style-type: none">(e) Failure of one or both of the Borrowers to pay any principal, interest, fees or any other amounts, in each case when due and owing hereunder;(f) Any representation of warranty by either of the Borrowers herein or in any certificate delivered by either of the Borrowers to the Lender shall be incorrect or misleading in any material respect as of the date made or deemed made;(g) An Order is made, a liability arises or an event occurs, including any change in the business, assets or conditions, financial or otherwise, of either of the Borrowers that will have a Material Adverse Effect on the Borrowers(h) Any material violation or breach of any Order upon receipt by either of the Borrowers of notice from the Lender of such violation or breach; and(i) Failure of the either of the Borrowers to perform or comply with any other term or covenant under any of the Loan Documents and such default shall continue unremedied for a period of three (3) business days. |
| Remedies | Upon the occurrence of an Event of Default, whether or not there is availability under the DIP Facility, without any notice or demand whatsoever, the right of the Borrowers to receive any Advance or other accommodation of credit shall be terminated, subject to any applicable notice provision in any Order (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 appoint 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. All payments received by the Lender shall be applied first to any fees due to the Lender and any expenses of the Lender, then to accrued and unpaid interest, and then to principal. |
| Governing Law | The laws of the Province of Ontario and the federal laws of Canada. |

If you are in agreement with the terms and conditions set out in this Agreement, please sign the acceptance set out below.

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By: _____
Name: •
Title: •

The undersigned accepts and agrees to the terms and conditions set out in this Agreement.

KSV Kofman Inc., in its capacity as Court-appointed Monitor of Urbancorp (St. Clair Village) Inc. and Urbancorp (Lawrence) Inc., and not in its personal or corporate capacity

By: _____
Name: Robert Kofman
Title: President

Schedule "A"

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 60 St. Clair Inc.
High Res. Inc.
Bridge on King Inc.
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.

Appendix “F”

SINGLE ADVANCE CREDIT FACILITY TERM SHEET

Dated as of June 8, 2016

WHEREAS the Borrower (as defined below) is subject to that certain initial order made on the 18th day of May, 2016 (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”);

AND WHEREAS the Borrower is a borrower and a guarantor with joint and several obligations with various affiliates of the Borrower (collectively, the “**Other Obligants**”) under that certain interim credit facility made available by Urbancorp Partner (King South) Inc. pursuant to the terms of that certain term sheet dated as of May 13, 2016 and approved pursuant to paragraph 26 of the Initial Order (the “**Interim Credit Facility**”);

AND WHEREAS the Borrower owns 51% of the issued and outstanding shares in Downsview Homes Inc. (“**DHI**”), while the Lender (as defined below) owns the remaining 49% of the issued and outstanding shares of DHI;

AND WHEREAS the Borrower has executed and delivered a pledge of its shares in DHI to the Lender pursuant to that certain share pledge agreement dated as of June 30, 2015 (the “**Share Pledge**”) as collateral security for the indebtedness, liabilities and obligations owed to the Lender in connection with the obligations of the Borrower to the Lender under certain Owner Agreements (as defined in the Share Pledge);

AND WHEREAS the Borrower requires immediate funding in order to contribute its share of required equity to DHI in order to permit DHI to satisfy those third party lending requirements arising under or pursuant to that certain term sheet dated May 25, 2015 among bcIMC Construction Fund Corporation, as lender (“**bcIMC**”), and each of the Borrower and the Lender, as joint and several borrowers thereunder (the “**bcIMC Term Sheet**”), as amended;

AND WHEREAS pursuant to paragraph 12 of the Initial Order, neither the Borrower nor the Other Obligants may without further order of the Court (a) make any payments of principal, interest thereon or otherwise on account of amounts owing by it to any creditors, (b) grant any security interests, trusts, liens, charges or encumbrances upon or in respect of any of its property and (c) grant credit or incur liabilities except in the ordinary course of its business;

AND WHEREAS the Lender (as defined below) has agreed to provide the Borrower with a single advance credit facility in order to make an equity injection into DHI as noted above and to fund DHI’s ongoing working capital requirements (the “**DHI Facility**”), pending the Borrower obtaining court approval of debtor-in-possession financing on or before June 15, 2016 in accordance with the provisions hereof;

AND WHEREAS the DHI Facility is intended to augment the Interim Credit Facility in accordance with paragraph 29 of the Initial Order, as consented to and approved by KSV Kofman Inc. in its capacity as Monitor appointed under the Initial Order (in such capacity, the “**Monitor**”);

AND WHEREAS it is the mutual intention of the Borrower and the Lender that the Lender shall be entitled to the benefit of a charge over all present and after-acquired property, assets and undertakings of the Borrower, including, without limitation, all of the rights, entitlements and interests of the Borrower in DHI;

AND WHEREAS it is the mutual intention of the Borrower and the Lender that, in substitution for the Administration Charge (as defined in the Initial Order), an administration charge shall be requested specifically only over the Borrower's property for administrative costs specifically pertaining to the Borrower (the "**UDDI Administration Charge**") which shall have first priority over all other creditors of the Borrower, including, without limitation, the Interim Lender's Charge (as such term is defined in the Initial Order) and the DHI Facility Charge (as defined below) shall have first priority over all other creditors of the Borrower, including, without limitation, the Interim Lender's Charge (as such term is defined in the Initial Order) but shall rank subordinate to UDDI Administration Charge;

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:

BORROWER: Urbancorp Downsview Park Development Inc. (in that capacity, the "**Borrower**").

LENDER: Mattamy (Downsview) Limited (the "**Lender**").

PURPOSE/USE OF PROCEEDS: The proceeds of the advance to be made under the DHI Facility subject to the provisions hereof will be used solely by the Borrower (i) to make an equity injection into DHI for the primary purpose of assisting DHI to meet its obligations as and when they come due; and (ii) for other general corporate purposes of DHI, as approved in advance from time to time by the Lender.

MAXIMUM AMOUNT: The maximum amount ("**Maximum Amount**") available under the DHI Facility shall be Cdn. \$8,000,000.

MATURITY DATE: The earliest of: (i) December 31, 2018; (ii) the date upon which all conditions precedent to the implementation of a Plan (under the CCAA) have been satisfied (the "**Implementation Date**"); (iii) the date on which the Borrower is in receipt of funds sufficient in amount to repay the DHI Facility in full; and (iv) 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 upon such additional terms and conditions as the Monitor and the Lender may agree.

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

are due and payable.

FACILITY:

The DHI Facility shall be a single advance 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 Borrower acknowledge that the sum of \$8,000,000 has been placed by the Lender in the trust account of Cassels Brock & Blackwell LLP (“**CBB**”) to facilitate the making of the advance to DHI for and on behalf of the Borrower under this Term Sheet (“**DHI Facility Advance**”). The DHI Facility Advance shall be requested by the Monitor on behalf of the Borrower pursuant to a written drawdown request made by the Monitor on behalf of the Borrower and addressed to the Lender and CBB. The DHI Facility Advance shall be deposited by CBB, on behalf of the Borrower, into the existing account of DHI with The Royal Bank of Canada (the “**DHI Account**”).

DHI FACILITY CHARGE:

All obligations of the Borrower under the DHI Facility shall be secured by Court ordered charges over all present and after acquired property, assets and undertakings of Borrower and ranking ahead of all creditors of the Borrower, including, without limitation any existing secured creditors pursuant to a court ordered charge under section 11.2 of the CCAA (the “**DHI Facility Charge**”). The Borrower shall have obtained the DHI Facility Charge on or before June 15, 2016.

DHI FACILITY APPROVAL ORDER:

The Borrower shall use its best efforts, as soon as practicable and in any case by no later than June 15, 2016 to obtain an order of the Court authorizing the Borrower to enter into the Term Sheet, approving the terms of the DHI Facility, and granting the DHI 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 “**DHI Facility Approval Order**”), *provided, however*, that the Lender shall not be obligated to provide the DHI Facility Advance or further funding under the DHI Facility if any one or more of the following occurs: (a) either of the Interim Order approving the Interim Credit Facility (the “**Interim Financing Approval Order**”) or the DHI 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 Credit Facility or the DHI Facility, as the case may be), (b) a Default or Event of Default has occurred and is continuing under either of the Interim Credit Facility or the DHI Facility, as the case may be, (c) the Court has not entered the DHI Facility Approval Order on or before June 15, 2016, (d) Alan Saskin has not resigned or is not otherwise removed as an officer and director of DHI or (e) bcIMC has advised the Lender that it will not advance or continue to

advance the funds contemplated by the bcIMC Term Sheet.

The DHI 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 DHI Facility created herein and the execution and delivery by the Borrower of such other credit documentation as the Lender deems necessary or appropriate, acting reasonably;
- (ii) provisions authorizing and directing the Borrower and the Monitor to execute and deliver all such loan and security documents relating to the DHI Facility, the bcIMC Term Sheet and all such security documents evidencing the DHI Facility Charge and the bcIMC Term Sheet in such form and substance as the Lender may reasonably require;
- (iii) provisions authorizing the Lender to effect registrations, filings and recordings wherever it deems appropriate in its discretion regarding the DHI Facility Charge;
- (iv) provisions providing that the DHI Facility Charge shall be valid and effective to secure all of the obligations of the Borrower 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 Borrower and the Lender pursuant hereto;
- (v) provisions declaring that the granting of the DHI 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;
- (vi) provisions restricting the granting of any additional liens or encumbrances on the assets of the Borrower other than as permitted herein;
- (vii) provisions ordering and declaring either the Interim Credit Facility or the DHI Facility, as the case may be, to be treated as an "Unaffected Claim" in the Plan of the Borrower and/or Other Obligants; and
- (viii) provisions prohibiting the Borrower from transferring or attempting to transfer the shares of DHI held by the Borrower to any party prior to obtaining the prior written consent of the Lender, which consent is not to be

unreasonably withheld.

**AVAILABILITY UNDER
DHI FACILITY:**

The DHI Facility is to operate as a senior secured super-priority debtor-in-possession single advance (non-revolving) credit facility and the amount of any advance under the DHI Facility (an “**Advance**”) that is repaid may not be reborrowed thereunder. The aggregate amount of all Advances outstanding under the DHI Facility shall not at any time exceed the Maximum Amount.

INTEREST RATE:

15% *per annum*. Interest on Advances, without duplication, shall accrue on a monthly basis and shall be payable on the Maturity Date. Any and all such accrued interest amounts shall constitute an Advance under the DHI 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.

PAYMENTS:

The Borrower shall not be obligated to make any payments to the Lender on account of principal, interest or otherwise, except on the Maturity Date. For greater certainty, the Borrower may prepay any of its obligations hereunder prior to the Maturity without penalty.

FEES AND EXPENSES:

There shall be no fees payable by the Borrower to the Lender in respect of the DHI Facility. Notwithstanding the aforementioned, the Borrower shall and hereby agrees to pay all of the Lender’s due diligence and other out-of-pocket expenses (including the fees and expenses of its counsel and advisors, search and registration fees, etc.), whether or not the transaction contemplated hereby is consummated and whether incurred prior to or after the date of the DHI Facility Approval Order, as well as all expenses of the Lender in connection with the ongoing monitoring, interpretation, administration, protection and enforcement of the DHI 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 DHI Facility Agreement:

- (a) The issuance of an order terminating the CCAA Proceedings or lifting the stay to permit the enforcement of any security against the Borrower or the appointment of a receiver and manager, receiver, interim receiver or similar official or the making of a bankruptcy order against the Borrower;
- (b) The issuance of an order staying, reversing, vacating or otherwise modifying either the DHI Financing Charge or

the Interim Financing Charge, as the case may be, or, any Orders in a manner which adversely impacts the rights and interests of the Lender;

- (c) If (i) either the Interim Financing Approval Order or the DHI Financing Approval Order, as the case may be, is varied without the prior written 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 the Borrower to pay any principal, interest, fees or any other amounts, in each case when due and owing hereunder;
- (e) The Borrower, any affiliate of the Borrower or any officer and/or director of the Borrower (including any affiliate thereof) has undertaken prior to the date hereof or undertakes or considers undertaking after the date hereof any actions with respect to its assets, business operations and/or capital structure which would, in the sole determination of the Lender, have a material adverse effect on the Borrower or any of the assets of the Borrower subject to the DHI Facility Charge, including, without limitation, any change or series of changes in the ownership, control, existing senior operating management arrangements or governance of the Borrower that is not acceptable to the Lender, acting reasonably;
- (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 the Borrower to perform or comply with any other term or covenant under this Term Sheet or the bcIMC 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 or the DHI 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 the collateral secured by, under or pursuant to the DHI Facility Charge (in

whole or in part) 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.

**RIGHT OF FIRST
REFUSAL:**

If the Borrower receives at any time after the Interim Financing Approval Order and before the expiry of the Maturity Date a definitive, committed and *bona fide* offer from an arm's length third party that would be binding upon acceptance by the Borrower to finance or re-finance the DHI Facility in its entirety (a "**Third Party Offer**"), and each of the Borrower and the Monitor is willing to accept that Third Party Offer subject to the provisions hereof, then the Borrower, by notice in writing delivered to Lender, shall irrevocably and unconditionally offer to the Lender the right (but not the obligation) to match the Third Party Offer in place of such third party upon the same terms and conditions as are contained in the Third Party Offer (the "**ROFR Offer**"). The Lender may, within fifteen (15) business days from the date of delivery of the ROFR Offer (the "**ROFR Offer Period**"), accept the ROFR Offer to finance or re-finance the DHI Facility by notice in writing delivered to the Borrower and the Monitor, in which event it shall then become a binding financing agreement between the Lender and the Borrower upon the terms and conditions contained in the ROFR Offer. For the avoidance of doubt, if the Lender accepts the ROFR Offer during the ROFR Offer Period, such acceptance is deemed to apply, *mutatis mutandis*, to the DHI Facility, with such changes as are necessary in the sole discretion of the Lender to the DHI Facility, provided that such changes will not impact the economic terms of the ROFR Offer. If the Lender does not accept the ROFR Offer prior to the expiry of the ROFR Offer Period, then the Borrower shall be free to proceed with the financing or re-financing of the DHI Facility in its entirety (but not less than all) with the applicable third party pursuant to the Third Party Offer and, for greater certainty, all terms and conditions pertaining to the DHI Facility shall remain operative and in effect until all indebtedness, liabilities and obligations of the Borrower under or pursuant to the DHI Facility have been paid in full. If the Borrower and the third party have not entered into a binding, written agreement pertaining to all indebtedness, liabilities and obligations (but not less than all such indebtedness, liabilities and obligations) under or pursuant to the DHI Facility and the DHI has not been repaid in full as aforementioned (the "**Third Party Agreement**") within sixty (60) days of the expiry of the ROFR Offer Period, then the Borrower shall have no right or ability to proceed with the Third Party Agreement without issuing another ROFR Offer to and in favour of the Lender.

For greater certainty, the failure of the Lender to accept the ROFR Offer prior to the expiry of the ROFR Period does not in any way limit or prejudice the Lender's rights, as secured creditor of the Borrower to object to such Third Party Offer.

The Monitor and the Lender will communicate routinely, no less than bi-weekly, with respect to the Monitor's intentions for the Borrower's interest in DHI, including that the Monitor will timely advise the Lender of any bona fide interest expressed by any party who is considering replacing the DHI Facility. The Lender understands that in providing this information, the Monitor will be cognizant of its confidentiality obligations to the interested party, which may preclude the Monitor from providing the name of the interested party to Lender.

ASSIGNMENT AND PARTICIPATION:

The Lender shall be permitted to assign and sell participations in its commitment hereunder subject to, in the case of partial assignments, the minimum assignment amount shall be \$1,000,000, but at all times the Lender be and remain the agent for such participating lenders or assignees with respect to this DHI Facility.

FURTHER ASSURANCES:

The Borrower shall at its 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);

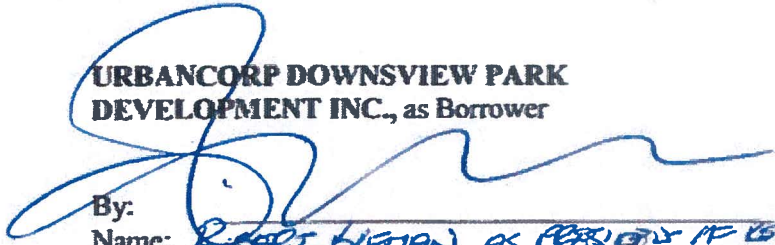
“Liens” means all mortgages, charges, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever; and

“Plan” means a plan of arrangement or compromise to creditors filed, or to be filed, by one or more Obligor, pursuant to section 5 of the CCAA.

[SIGNATURE PAGES FOLLOW]

IN WITNESS HEREOF, the parties hereby executed this Term Sheet as of the ____ day of June, 2016.

URBANCORP DOWNSVIEW PARK DEVELOPMENT INC., as Borrower



By:

Name: ROBERT HOFFMAN, AS PRESIDENT OF KSV

Title: KOFMAN INC. IN ITS CAPACITY AS CLAA MONITOR AND NOT IN ITS PERSONAL CAPACITY

MATTAMY (DOWNSVIEW) LIMITED, as Lender

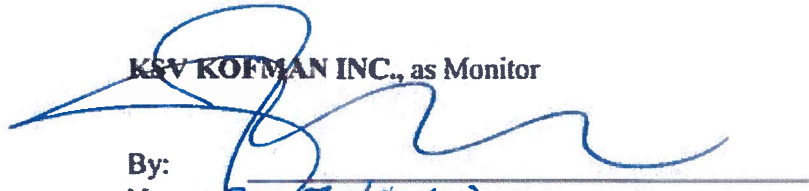


By:

Name: DAVID GEORGE

Title: AUTHORIZED SIGNING OFFICER

KSV KOFMAN INC., as Monitor



By:

Name: ROBERT HOFFMAN

Title: PRESIDENT

Each of the undersigned hereby acknowledges, agrees and consents to the aforementioned as of this ____ day of June, 2016.

URBANCORP TORONTO MANAGEMENT INC.,
as a Borrower and Guarantor under the Interim Credit Facility

By: _____
Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP (ST. CLAIR VILLAGE) INC., as a Borrower and Guarantor under the Interim Credit Facility

By: _____
Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP (LAWRENCE) INC., as a Borrower and Guarantor under the Interim Credit Facility

By: _____
Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP (PATRICIA) INC., as a Borrower and Guarantor under the Interim Credit Facility

By: _____
Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP (MALLOW) INC., as a Borrower and Guarantor under the Interim Credit Facility

By: _____

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP RESIDENTIAL INC., as a Borrower and Guarantor under the Interim Credit Facility

By: _____

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP (952 QUEEN WEST) INC., as a Borrower and Guarantor under the Interim Credit Facility

By: _____

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

KING RESIDENTIAL INC., as a Borrower and Guarantor under the Interim Credit Facility

By: _____

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP 60 ST. CLAIR INC., as a Borrower and Guarantor under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

HIGH RES. INC., as a Borrower and Guarantor under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

BRIDGE ON KING INC., as a Borrower and Guarantor under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP POWER HOLDINGS INC., as a Borrower and Guarantor under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP CUMBERLAND 1 GP INC., as a Borrower and Guarantor under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

URBANCORP CUMBERLAND 1 LP, by its general partner **URBANCORP CUMBERLAND 1 GP INC.,** as a Borrower and Guarantor under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

VESTACO HOMES INC., as a Borrower and Guarantor under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

VESTACO INVESTMENTS INC., as a Borrower and Guarantor under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman Inc., as CCAA Monitor and not in its personal capacity

228 QUEEN'S QUAY WEST LIMITED, as a
Borrower and Guarantor under the Interim Credit
Facility.

By: 

Name: Robert Kofman, President of KSV Kofman
Inc., as CCAA Monitor and not in its
personal capacity

URBANCORP (NORTH SIDE) INC., as a Borrower
and Guarantor under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman
Inc., as CCAA Monitor and not in its
personal capacity

URBANCORP PARTNER (KING SOUTH) INC., as
Lender under the Interim Credit Facility

By: 

Name: Robert Kofman, President of KSV Kofman
Inc., as CCAA Monitor and not in its
personal capacity