



**Second 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 24, 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 24, 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, Lawrence 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) (the "Court") dated May 18, 2016 (the "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. Pursuant to an order issued by the Court on June 15, 2016, the stay of proceedings for the Urbancorp CCAA Entities was extended to September 2, 2016.

5. The principal purpose of the restructuring proceedings is to create a stabilized environment to allow the Urbancorp CCAA Entities the opportunity to consider their restructuring options, including selling some or all of their properties and other assets through a Court approved sale process (the “Sale Process”).
6. This report (“Report”) is filed by KSV in its capacity as Monitor.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Urbancorp CCAA Entities;
 - b) summarize the process carried out by the Monitor to solicit proposals from realtors to list the Properties (as defined below) for sale;
 - c) summarize the recommended Sale Process pursuant to which the Properties are to be marketed for sale, including the Monitor’s recommended retention of Colliers Macaulay Nicolls Ontario Inc., a subsidiary of Colliers International Inc. (“Colliers”), to act as listing agent for the Properties;
 - d) summarize a process carried out by the Monitor to solicit debtor-in-possession financing proposals for the Urbancorp CCAA Entities (the “DIP Solicitation Process”);
 - e) summarize the terms of a debtor-in-possession facility (the “DIP Facility”) between Atrium Mortgage Investment Corporation, as lender (the “Lender”), and St. Clair and Lawrence, as borrowers (the “Borrowers”), as well as a charge (the “DIP Charge”) in favour of the Lender over all of the Borrowers’ assets; and
 - f) recommend that the Court issue an order:
 - approving the Sale Process, including the retention of Colliers as listing agent;
 - approving the DIP Facility and the DIP Charge; and
 - sealing the confidential appendices until further order of this Court.

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 Monitor has not performed an audit or other verification of such information. The Monitor expresses no opinion or other form of assurance with respect to the financial information presented in this Report.

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 were involved with several real estate 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 17, 2016, UTMI employed 15 individuals; it is the sole employer in the Group. UTMI’s workforce is not unionized and it does not maintain a pension plan.
5. UTMI provides back office 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. is the Proposal Trustee; (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. has been appointed receiver; and (iii) Urbancorp (Bridlepath) Inc. and Urbancorp (Woodbine) Inc. which are subject to NOI proceedings in which KSV is the Proposal Trustee.

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

2.1 Properties

1. The table below provides a summary of the properties (the “Properties”) that are owned by the Companies, excluding Downsview.

Company	Address of Property	Date Purchased
St. Clair	19 Innes Avenue, 177 Caledonia Road, Toronto	August 1, 2013
Patricia	425 Patricia Avenue, Toronto	August 27, 2014
Lawrence	1780 Lawrence Avenue West, Toronto	August 29, 2013
Mallow	15 Mallow Road, Toronto	August 28, 2014

2. The Properties were formerly school board sites purchased in order to develop residential projects (the “Projects”). The Companies are in the process of obtaining the approvals required to develop each of the Projects; they are currently raw land. Timelines for the Projects have been provided to the Monitor which suggest that homes could be built and delivered to buyers by the end of 2017 or shortly thereafter. These timelines make the Projects attractive for sale.

2.2 Urbancorp Inc.

1. Urbancorp Inc. is the ultimate parent of the Companies.² It was incorporated for the purpose of raising capital in the public markets in Israel. In December 2015, Urbancorp Inc. made an initial 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.
2. On April 25, 2016, the District Court in Tel Aviv-Yafo issued a decision appointing Guy Gissin as the functionary officer and foreign representative of Urbancorp Inc. (the “Foreign Representative”) and granted him certain powers, authorities and responsibilities over Urbancorp Inc. (the “Israeli Proceedings”).
3. On May 18, 2016, the Court issued two orders under Part IV of the CCAA. These orders: (i) recognized the Israeli Proceedings as a “foreign main proceeding”; (ii) recognized Mr. Gissin as foreign representative of Urbancorp Inc.; and (iii) appointed KSV as the Information Officer.
4. Further background concerning the Group is provided in the affidavit of Alan Saskin, the sole director and officer of each of the Companies, sworn May 13, 2016, and the previous reports by the Proposal Trustee and the Monitor. Publically available materials filed in the insolvency proceedings can be found on KSV’s website at: <http://www.ksvadvisory.com/insolvency-cases-2/urbancorp/>.

3.0 Sale Process

3.1 Request for Proposals from Realtors

1. Since the commencement of these insolvency proceedings, the Monitor has been contacted by several realtors to advise of their interest in being considered for the mandate to act as listing agent for the Properties.
2. On June 2, 2016, the Monitor sent a Request for Proposal (the “RFP”) to eight realtors. Each of the realtors has a significant practice and has experience selling real estate similar to the Properties. A copy of the RFP is attached as Appendix “B”. Proposals from the realtors were due on June 13, 2016 (the “Proposal Deadline”). Each of the realtors submitted a proposal by the Proposal Deadline.
3. The Monitor prepared a summary of the proposals (the “Realtor Summary”), which was provided to the Foreign Representative. The Realtor Summary is attached as Confidential Appendix “1”. The rationale for seeking a sealing order for the Realtor Summary is provided in Section 5 below.
4. The Monitor reviewed each of the proposals and determined that Colliers’ proposal was the strongest submitted. A primary consideration for the Monitor is that the Colliers’ representative leading the mandate has sold nine school board sites. The Monitor discussed its recommendation with the Foreign Representative, who advised that it consents to the Monitor’s recommendation. The Foreign Representative is familiar with Colliers.
5. The Monitor’s recommendation is based on Colliers’ experience selling school board sites, its commission structure (which is consistent with or better than the other proposals) and its global reach, including its ability to access the Chinese market. A copy of the Colliers’ listing agreement is attached as Appendix “C”.

² Other than UTMI.

3.2 Sale Process

1. A summary of the recommended Sale Process is provided in the following table:

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 1 – Underwriting</i>		
Due diligence	<ul style="list-style-type: none"> ➤ Colliers to review all available documents concerning the Properties, including environmental, planning and development reports. 	By end of June
Finalize marketing materials	<ul style="list-style-type: none"> ➤ Colliers and the Monitor to: <ul style="list-style-type: none"> ○ prepare a development summary; ○ populate an online data room; ○ prepare a Vendor’s form of Purchase and Sale Agreement (the “PSA”); ○ prepare a confidentiality agreement (the “CA”); and ○ prepare a Confidential Information Memorandum (the “CIM”). 	
Prospect Identification	<ul style="list-style-type: none"> ➤ Colliers to develop a master prospect list. Colliers will qualify and prioritize prospects. ➤ Colliers will also have pre-marketing discussions with targeted developers/purchasers. 	
<i>Phase 2 – Marketing</i>		
Stage 1	<ul style="list-style-type: none"> ➤ Mass market introduction, including: <ul style="list-style-type: none"> ○ Offering summary and marketing materials printed; ○ publication of the acquisition opportunity in <i>The Globe and Mail</i> (National Edition); ○ publication of the acquisition opportunity in newspapers and publications catering to the market where the properties are located; ○ publication in newspapers and publications in China or other relevant Asian target markets; ○ telephone and email canvass of leading prospects; and ○ meet with and interview bidders 	First two weeks of July

Summary of Sale Process		
Milestone	Description of Activities	Timeline
Stage 2	<ul style="list-style-type: none"> ➤ Colliers to provide detailed information to qualified prospects which sign the CA, including the CIM, access to the data room and a form PSA. ➤ Colliers to facilitate all diligence by interested parties. 	To – Mid August
Stage 3	<ul style="list-style-type: none"> ➤ Prospective purchasers to submit PSAs. 	August 15, 2016
<i>Phase 3 – Offer Review and Negotiations</i>		
Short-listing of Proposals	<ul style="list-style-type: none"> ➤ Proposal short listing and approval. ➤ 2nd Round Bids - Prospective purchasers may be asked to re-submit PSAs. 	One week following bid deadline
Selection of Successful Bids	<ul style="list-style-type: none"> ➤ Select successful bidder and finalize definitive documents. 	One week after 2 nd Round Bids
Sale Approval Motion and Closing	<ul style="list-style-type: none"> ➤ Motion for sale approval and close transaction. 	Two weeks after Selection of Successful Bid or Bids

2. Additional attributes of the recommended Sale Process include:
 - a) the Properties will be marketed on an “as is, where is” basis;
 - b) the Monitor will have the right to extend the Sale Process if it considers it necessary and appropriate in the circumstances;
 - c) the Monitor will have the right to reject any and all offers, including the highest offer; and
 - d) any transaction(s) resulting from the Sale Process will be subject to Court approval.

3.3 Sale Process Recommendation

1. The Monitor recommends that this Court issue an order approving the Sale Process, including the retention of Colliers, for the following reasons:
 - a) Colliers is a leading global realtor. Its team is being led by an individual who has significant experience selling school board properties. Colliers has relationships with many of the likely bidders for the Properties. Its commission structure is consistent with market and is either less than or consistent with the other proposals received;

- b) By the time the Sale Process is commenced, information will be available in a data room for review by interested parties – there will be no delay commencing the Sale Process;
 - c) The duration of the Sale Process is sufficient to allow interested parties to perform diligence. The recommended order provides the Monitor the right to extend or amend the Sale Process timelines should it feel that it is warranted; and
 - d) The Foreign Representative has consented to the retention of Colliers and to the Sale Process.
2. Based on the foregoing, the Monitor recommends that the Court approve the Sale Process and the retention of Colliers.

4.0 DIP Solicitation Process

1. The Court has previously been advised of the need for debtor-in-possession financing (“DIP Financing”) in these proceedings. The Initial Order authorized the Monitor to conduct the DIP Solicitation Process.
2. The cash balances of the Urbancorp CCAA Entities are projected to be exhausted by July 15, 2016 or shortly thereafter. DIP Financing will be required at that time to pay operating costs and professional fees until the Properties can be sold. The target date to sell the Properties is the end of September 2016, but there is no certainty that will be accomplished.
3. In addition to funding operating costs and professional fees, the DIP Financing 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 (being approximately \$2.7 million). A decision in this regard has not been finalized. In the event that the proceeds are not used for this purpose, the DIP Financing is to have a priority over the Interim Lender’s Charge.
4. The Monitor has built a buffer into the amount of the DIP Financing requested in order to have a contingency in the event that the Sale Process extends beyond September 30, 2016 and to fund unknown costs that may arise. The Monitor prefers not to go back to the market to increase the size of the DIP Financing should additional financing be required. The Monitor is also cognizant that raising a lower amount of capital would not necessarily significantly reduce the cost of the DIP Financing as lenders will not be interested in this opportunity if their return is insignificant.³

³ Simply, it will not be worth the effort for many lenders to provide a smaller financing given the amount of the return in dollar terms, notwithstanding the return on a smaller financing may be significant on a percentage basis.

5. On June 6, 2016, the Monitor sent a letter to 44 parties detailing the DIP Financing opportunity (the “Solicitation Letter”).⁴ The Solicitation Letter set-out, among other things, that the Monitor was seeking to raise \$10 million to be secured by raw land for which Lawrence and St. Clair are the registered owners (the “Collateral”).
6. 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 “D”. Interested parties who signed the CA were provided access to an online data room. The data room contained information concerning the Collateral, including environmental reports, zoning studies and appraisals.

4.1 DIP Solicitation Process Results

1. The results of the DIP Solicitation Process are summarized as follows:
 - a) 11 parties executed the CA and were provided access to the data room; and
 - b) nine offers were submitted on or prior to the bid deadline of June 17, 2016. A summary of the offers (the “DIP Summary”) was prepared and provided to the Foreign Representative. The DIP Summary is provided in Confidential Appendix “2”.
2. The Monitor identified the two most attractive offers and requested that these parties consider whether they wish to improve their offers.⁵ Each party was asked to resubmit its offer on June 21, 2016, and each did so. The Monitor ultimately determined that the offer from the Lender was the best received.

4.2 Recommended DIP Facility⁶

1. The terms of the DIP Facility are set out in a term sheet (the “DIP Term Sheet”). A copy of the DIP Term Sheet is attached as Appendix “E”. The significant terms of the DIP Facility are below.
 - a) Lender: Atrium Mortgage Investment Corporation;

⁴ The majority of the Solicitation Letters were sent on June 6, 2016. Additional letters were sent during the DIP Solicitation Process to parties who expressed an interest in providing a DIP.

⁵ One party that submitted an offer, submitted a second, unsolicited offer after the bid deadline. The offer was cost competitive, but its conditions made it less attractive than the best two offers.

⁶ Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

- b) Amount: \$10 million, with an option to increase the amount available to \$12.5 million⁷ provided that the Properties are actively listed for sale (the Monitor will not draw on this additional amount without an order of the Court);⁸
- c) Repayment Date: the earliest of (i) June 30, 2017, subject to an extension period of six months; and (ii) such earlier date upon which repayment is required due to the occurrence of an Event of Default;
- d) Repayment: can be repaid at any time, without penalty;
- e) Interest rate: 8.25% per annum, compounded monthly and payable on the Repayment Date;
- f) Commitment Fee: \$125,000;
- g) DIP Charge: first-ranking Court ordered charge over the Borrowers' real property, receivables owing to the Borrowers from the Urbancorp CCAA Entities in connection with intercompany advances made from funds borrowed under the DIP Facility, and all other assets of the Borrowers, subject only to the Administration Charge not exceeding \$750,000 and Permitted Encumbrances acceptable to the Lender;
- h) Representations and Warranties: to be provided by management of the Borrowers;
- i) Cancellation: the Lender shall have the right to cancel the DIP Term Sheet if:
 - i. security documents (a mortgage) are not registered by July 15, 2016; and
 - ii. the initial advance is not made by July 15, 2016.
- j) Conditions, include:
 - i. entry of the DIP Approval Order; and
 - ii. the absence of an Event of Default.
- k) Events of Default:
 - i. termination of the CCAA proceedings or the CCAA stay of proceedings;
 - ii. the issuance of an order granting an Encumbrance of equal or superior status to that of the DIP Charge, other than priority payables;

⁷ Subject to a 1.25% fee.

⁸ The Monitor notes that this is a particular concern of the Foreign Representative.

- iii. the issuance of an order modifying the DIP Charge or any orders in a manner which adversely impacts the Lender;
- iv. the DIP Approval Order is varied without the consent of the Lender;
- v. failure of one or both of the Borrowers to pay amounts owing under the DIP Facility when due;
- vi. any representation by either of the Borrowers to the Lender which is incorrect or misleading in any material respect as of the date made;
- vii. an order is made, a liability arises or an event occurs that will have a material adverse effect on the Borrowers;
- viii. any material breach of any order; and
- ix. failure of the either of the Borrowers to perform or comply with any other term or covenant under the DIP Term Sheet and such default shall continue unremedied for a period of three business days;

4.3 Foreign Representative

1. The Monitor has consulted with the Foreign Representative regarding the terms of the DIP Financing, including providing the Foreign Representative with a copy of the DIP Summary and copies of each of the proposals.⁹ The Foreign Representative has advised that it consents to the terms of the DIP Financing.

4.4 Deposits by Home Buyers

1. Each prospective lender requires confirmation that the DIP Financing has the benefit of a court-approved first ranking charge on the Collateral, subject only to the Administration Charge.
2. Many of the prospective lenders require that the DIP Approval Order set out that DIP Financing has priority over any interest of any buyers who paid deposits (the "Deposits") in the total amount of approximately \$3.7 million and \$3.3 million, respectively, on the homes to be built by Lawrence and St. Clair. The Companies did not hold the Deposits in trust – they were spent prior to the commencement of the NOI Proceedings. As these are not condominium projects, there is no legislation requiring deposits to be held in trust.
3. The Monitor believes that it is appropriate that the approval order establish a priority for the DIP Financing over the Deposits for the following reasons:

⁹ The Foreign Representative did not receive copies of the second round of DIP proposals, although he was provided with a summary of them.

- a) DIP Financing may not be available if the Deposits have a priority over the DIP Financing. Even if it is available, the amount of the DIP Financing could be reduced and the cost of funds would likely increase. Without DIP Financing, the ability to advance these proceedings would be uncertain;
- b) there is no statutory basis for granting the Deposits a priority; and
- c) home buyers who made Deposits have claims against St. Clair and Lawrence. There is a reasonable prospect that these claims may be repaid from the sale proceeds for these properties particularly if Colliers is able to complete transactions close to the value estimates it (and other realtors) provided. At least one developer has advised that there is a prospect that it may honour the Deposits and complete the transactions with the original home buyers; however, there is no certainty that such developer will submit a bid or that it will be the successful bidder if it does so.

4.5 Lien Claims

1. On May 24, 2016, Pro-Green Demolition Ltd. (“Pro-Green”) registered on title on the St. Clair property a lien in the amount of \$209,954 for improvements it provided on that property.
2. On May 31, 2016, MDF Mechanical Limited (“MDF”) registered on title on the Lawrence property a lien in the amount of \$24,251 and has commenced an action in respect of same for improvements it provided on that property. The MDF lien is no longer registered. It is not clear why the lien was discharged (i.e., there was no discharge of lien registered). The Land Registry Office advised the Monitor’s counsel that it believes that the construction lien was discharged in error (i.e., that the Land Registry Office discharged the wrong document); they were supposed to have discharged AT3393441, which deals with an “Additional Payment Agreement”, which the Monitor understands should no longer be registered on title.
3. It is intended that the DIP Facility will have priority over all lien claims, including the Pro-Green claim and the MDF claim.

4.6 Recommendation

1. The Monitor considered the following factors regarding the terms of the DIP Facility, as well those set out in Section 11.2 of the CCAA:
 - a) the Urbancorp CCAA Entities are facing an imminent liquidity crisis. They are projected to exhaust their cash balances by July 15, 2016 or shortly thereafter. Absent DIP Financing, the Urbancorp CCAA Entities will not be able to pay operating costs and professional fees;
 - b) the Monitor has built a buffer into the amount of the DIP Financing in the event that the Sale Process extends beyond its target closing date, being September 30, 2016;

- c) the Foreign Representative consents to the DIP Financing;
 - d) it facilitates the Sale Process, which will generate recoveries to repay creditors, including home buyers who paid Deposits;
 - e) the Monitor is able to repay the DIP Financing at any time, without penalty; and
 - f) the terms of the DIP Facility, including the interest rate, are reasonable in the circumstances – they are lower than market for a DIP loan.
2. Based on the foregoing, the Monitor believes that the terms of the DIP Financing are reasonable in the circumstances.

5.0 Sealing Order

1. The Monitor respectfully requests that the Realtor Summary and the DIP Summary be filed with the Court on a confidential basis and be sealed (the “Sealing Order”).
2. The Realtor Summary contains confidential information provided by each of the realtors. If the Realtor Summary is not sealed, bidders would have access to information which could be prejudicial to the Sale Process, including value estimates.
3. The DIP Summary contains the terms of the other proposals made in the DIP Solicitation Process. If the DIP Facility does not close for any reason, a subsequent process would be prejudiced by the release of the information.
4. The Monitor is not aware of any party that would be prejudiced by the proposed Sealing Order. Accordingly, the Monitor believes that the proposed Sealing Order is appropriate in the circumstances.

6.0 CIBC

1. Urbancorp Residential Inc. (“URI”), an Urbancorp CCAA Entity, owns and leases condominium units. Monthly rental revenue is approximately \$45,000. Rent is automatically debited from tenants’ bank accounts under a pre-authorized payment arrangement, and credited into a bank account that URI maintains with the Canadian Imperial Bank of Commerce (“CIBC”). In order to continue accepting pre-authorized payments, CIBC requested, among other things, that URI maintain a minimum account balance of \$20,000 as cash collateral (“Retention Amount”) in order to protect CIBC against tenant chargebacks and insufficient funds, and that any additional chargebacks greater than \$20,000 be covered by URI within two business days. The Monitor has consented to these requests and has confirmed to CIBC that the existing court ordered Charges (as defined in the Initial Order) in these proceedings are subordinate to CIBC’s rights and interests in the Retention Amount.

7.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that the 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”

Listing Agreement Authority to Offer for Sale



EXCLUSIVE

This is a Multiple Listing Service® Agreement

OR Exclusive Listing Agreement

(Seller's Initials)

(Seller's Initials)

BETWEEN:

BROKERAGE:

"See 'Rider to Listing Agreement'"

(the "Listing Brokerage") Tel.No. ()

SELLER(S):

(the "Seller")

In consideration of the Listing Brokerage listing the real property for sale known as

the Seller hereby gives the Listing Brokerage the exclusive and irrevocable right to act as the Seller's agent,

commencing at 12:01 a.m. on the See "Rider to Listing Agreement" Day of 20 until 11:59 p.m. on the day of 20 (the "Listing Period"),

Seller acknowledges that the length of the Listing Period is negotiable between the Seller and the Listing Brokerage and, if a MLS® listing, may be subject to minimum requirements of the real estate board, however, in accordance with the Real Estate and Business Brokers Act (2002), if the Listing Period exceeds six months, the Listing Brokerage must obtain the Seller's initials.

(Seller's Initials)

to offer the property for sale at a price of:

Dollars (CDN\$) 1.00

One

in the seller's sole and absolute discretion Dollars

and upon the terms particularly set out herein, or at such other price and/or terms acceptable to the Seller. It is understood that the price and/or terms set out herein are at the Seller's personal request, after full discussion with the Listing Brokerage's representative regarding potential market value of the Property.

The Seller hereby represents and warrants that the Seller is not a party to any other listing agreement for the Property or agreement to pay commission to any other real estate brokerage for the sale of the property.

1. DEFINITIONS AND INTERPRETATIONS: For the purposes of this Listing Agreement ("Authority" or "Agreement"), "Seller" includes vendor, a "buyer" includes a purchaser, a prospective purchaser and a "real estate board" includes a real estate association. A purchase shall be deemed to include the entering into of any agreement to exchange, or the obtaining of an option to purchase which is subsequently exercised. This Agreement shall be read with all changes of gender or number required by the context. For purposes of this Agreement, anyone introduced to or shown the Property shall be deemed to include any spouse, heirs, executors, administrators, successors, assigns, related corporations and affiliated corporations. Related corporations or affiliated corporations shall include any corporation where one half or a majority of the shareholders, directors or officers of the related or affiliated corporation are the same person(s) as the shareholders, directors, or officers of the corporation introduced to or shown the Property.

2. COMMISSION: In consideration of the Listing Brokerage listing the Property, the Seller agrees to pay the Listing Brokerage a commission of % of the sale price of the Property or See "Rider to Listing Agreement"

for any valid offer to purchase the Property from any source whatsoever obtained during the Listing Period and on the terms and conditions set out in this Agreement OR such other terms and conditions as the Seller may accept, subject to the terms and conditions set out here

The Seller further agrees to pay such commission as calculated above if an agreement to purchase is agreed to or accepted by the Seller or anyone on the Seller's behalf within 90 days after the expiration of the Listing Period (Holdover Period), so long as such agreement is with anyone who was introduced to the Property from any source whatsoever during the Listing Period or shown the Property during the Listing Period.

If, however, the offer for the purchase of the Property is pursuant to a new agreement in writing to pay commission to another registered real estate brokerage, the Seller's liability for commission shall be reduced by the amount paid by the Seller under the new agreement

The Seller further agrees to pay such commission as calculated above even if the transaction contemplated by an agreement to purchase agreed to or accepted by the Seller or anyone on the Seller's behalf is not completed, if such non-completion is owing or attributable to the Seller's default or neglect, said commission to be payable on the date set for completion of the purchase of the Property.

Any deposit in respect of any agreement where the transaction has been completed shall first be applied to reduce the commission payable. Should such amounts paid to the Listing Brokerage from the deposit or by the Seller's solicitor not be sufficient, the Seller shall be liable to pay to the Listing Brokerage on demand, any deficiency in commission and taxes owing on such commission. All amounts set out as commission are to be paid plus applicable taxes on such commission.

3. REPRESENTATION: The Seller acknowledges that the Listing Brokerage has provided the Seller with information explaining agency relationships, including information on Seller Representation, Sub-agency, Buyer Representation, Multiple Representation and Customer Service. The Seller authorizes the Listing Brokerage to co-operate with any other registered real estate brokerage (co-operating brokerage), and to offer to pay

the co-operating brokerage a commission of % of the sale price of the Property or See "Rider to Listing Agreement"

out of the commission the Seller pays the Listing Brokerage.

INITIALS OF LISTING BROKERAGE:

(Initials)

INITIALS OF SELLER(S):

(Initials)

The Seller understands that unless the Seller is otherwise informed, the co-operating brokerage is representing the interests of the buyer in the transaction. The Seller further acknowledges that the Listing Brokerage may be listing other properties that may be similar to the Seller's Property and the Seller hereby consents to the Listing Brokerage listing other properties that may be similar to the Seller's Property without any claim by the Seller of conflict of interest. The Seller hereby appoints the Listing Brokerage as the Seller's agent for the purpose of giving and receiving notices pursuant to any offer or agreement to purchase the property. Unless otherwise agreed in writing between Seller and Listing Brokerage, any commission payable to any other brokerage shall be paid out of the commission the Seller pays the Listing Brokerage, said commission to be disbursed in accordance with the Commission Trust Agreement.

MULTIPLE REPRESENTATION: The Seller hereby acknowledges that the Listing Brokerage may be entering into buyer representation agreements with buyers who may be interested in purchasing the Seller's Property. In the event that the Listing Brokerage has entered into or enters into a buyer representation agreement with a prospective buyer for the Seller's Property, the Listing Brokerage will obtain the Seller's written consent to represent both the Seller and the buyer for the transaction at the earliest practicable opportunity and in all cases prior to any offer to purchase being submitted or presented.

The Seller understands and acknowledges that the Listing Brokerage must be impartial when representing both the Seller and the buyer and equally protect the interests of the Seller and buyer. The Seller understands and acknowledges that when representing both the Seller and the buyer, the Listing Brokerage shall have a duty of full disclosure to both the Seller and the buyer, including a requirement to disclose all factual information about the Property known to the Listing Brokerage.

However, the Seller further understands and acknowledges that the Listing Brokerage shall not disclose:

- that the Seller may or will accept less than the listed price, unless otherwise instructed in writing by the Seller;
- that the buyer may or will pay more than the offered price, unless otherwise instructed in writing by the buyer;
- the motivation of or personal information about the Seller or buyer, unless otherwise instructed in writing by the party to which the information applies or unless failure to disclose would constitute fraudulent, unlawful or unethical practice;
- the price the buyer should offer or the price the Seller should accept; and
- the Listing Brokerage shall not disclose to the buyer the terms of any other offer.

However, it is understood that factual market information about comparable properties and information known to the Listing Brokerage concerning potential uses for the Property will be disclosed to both Seller and buyer to assist them to come to their own conclusions.

Where a Brokerage represents both the Seller and the Buyer (multiple representation), the Brokerage shall not be entitled or authorized to be agent for either the Buyer or the Seller for the purpose of giving and receiving notices.

MULTIPLE REPRESENTATION AND CUSTOMER SERVICE: The Seller understands and agrees that the Listing Brokerage also provides representation and customer service to other sellers and buyers. If the Listing Brokerage represents or provides customer service to more than one seller or buyer for the same trade, the Listing Brokerage shall, in writing, at the earliest practicable opportunity and before any offer is made, inform all sellers and buyers of the nature of the Listing Brokerage's relationship to each seller and buyer.

4. **FINDERS FEES:** The Seller acknowledges that the Brokerage may be receiving a finder's fee, reward and/or referral incentive, and the Seller consents to any such benefit being received and retained by the Brokerage in addition to the commission as described above.

5. **REFERRAL OF ENQUIRIES:** The Seller agrees that during the Listing Period, the Seller shall advise the Listing Brokerage immediately of all enquiries from any source whatsoever, and all offers to purchase submitted to the Seller shall be immediately submitted to the Listing Brokerage before the Seller accepts or rejects the same. If any enquiry during the Listing Period results in the Seller accepting a valid offer to purchase during the Listing Period or within the Holdover Period after the expiration of the Listing Period, the Seller agrees to pay the Listing Brokerage the amount of commission set out above, payable within five (5) days following the Listing Brokerage's written demand therefor.

6. **MARKETING:** The Seller agrees to allow the Listing Brokerage to show and permit prospective buyers to fully inspect the Property during reasonable hours and the Seller gives the Listing Brokerage the sole and exclusive right to place "For Sale" and "Sold" sign(s) upon the Property. The Seller consents to the Listing Brokerage including information in advertising that may identify the Property. The Seller further agrees that the Listing Brokerage shall have sole and exclusive authority to make all advertising decisions relating to the marketing of the Property for sale during the Listing Period. The Seller agrees that the Listing Brokerage will not be held liable in any manner whatsoever for any acts or omissions with respect to advertising by the Listing Brokerage or any other party, other than by the Listing Brokerage's gross negligence or wilful act.

7. **WARRANTY:** The Seller represents and warrants that the Seller has the exclusive authority and power to execute this Authority to offer the Property for sale and that the Seller has informed the Listing Brokerage of any third party interests or claims on the Property such as rights of first refusal, options, easements, mortgages, encumbrances or otherwise concerning the Property, which may affect the sale of the Property.

8. **INDEMNIFICATION AND INSURANCE:** The Seller will not hold the Listing Brokerage responsible for any loss or damage to the Property or contents occurring during the term of this Agreement caused by the Listing Brokerage or anyone else by any means, including theft, fire or vandalism, other than by the Listing Brokerage's gross negligence or wilful act. The Seller agrees to indemnify and save harmless the Listing Brokerage and any co-operating brokerage from any liability, claim, loss, cost, damage or injury, including but not limited to loss of the commission payable under this Agreement, caused or contributed to by the breach of any warranty or representation made by the Seller in this Agreement or the accompanying data form. The Seller warrants the Property is insured, including personal liability insurance against any claims or lawsuits resulting from bodily injury or property damage to others caused in any way on or at the Property and the Seller indemnifies the Brokerage and all of its employees, representatives, salespersons and brokers (Listing Brokerage) and any co-operating brokerage and all of its employees, representatives, salespersons and brokers (co-operating brokerage) for and against any claims against the Listing Brokerage or co-operating brokerage made by anyone who attends or visits the Property.

9. **FAMILY LAW ACT:** The Seller hereby warrants that spousal consent is not necessary under the provisions of the Family Law Act, R.S.O. 1990, unless the Seller's spouse has executed the consent hereinafter provided.

10. **VERIFICATION OF INFORMATION:** The Seller authorizes the Listing Brokerage to obtain any information affecting the Property from any regulatory authorities, governments, mortgagees or others and the Seller agrees to execute and deliver such further authorizations in this regard as may be reasonably required. The Seller hereby appoints the Listing Brokerage or the Listing Brokerage's authorized representative as the Seller's attorney to execute such documentation as may be necessary to effect obtaining any information as aforesaid. The Seller hereby authorizes, instructs and directs the above noted regulatory authorities, governments, mortgagees or others to release any and all information to the Listing Brokerage.

11. **USE AND DISTRIBUTION OF INFORMATION:** The Seller consents to the collection, use and disclosure of personal information by the Brokerage for the purpose of listing and marketing the Property including, but not limited to: listing and advertising the Property using any medium including the Internet; disclosing Property information to prospective buyers, brokerages, salespersons and others who may assist in the sale of the Property; such other use of the Seller's personal information as is consistent with listing and marketing of the Property. The Seller consents, if this is an MLS® Listing, to placement of the listing information and sales information by the Brokerage into the database(s) of the appropriate MLS® system(s), and to the posting of any documents and other information (including, without limitation, photographs, images, graphics, audio and video recordings, virtual tours, drawings, floor plans, architectural designs, artistic renderings, surveys and listing descriptions) provided by or on behalf of the Seller into the

INITIALS OF LISTING BROKERAGE:

INITIALS OF SELLER(S):



database(s) of the appropriate MLS® system(s). The Seller hereby indemnifies and saves harmless the Brokerage and/or any of its employees, servants, brokers or sales representatives from any and all claims, liabilities, suits, actions, losses, costs and legal fees caused by, or arising out of, or resulting from the posting of any documents or other information (including, without limitation, photographs, images, graphics, audio and video recordings, virtual tours, drawings, floor plans, architectural designs, artistic renderings, surveys and listing descriptions) as aforesaid. The Seller acknowledges that the MLS® database is the property of the real estate board(s) and can be licensed, resold, or otherwise dealt with by the board(s). The Seller further acknowledges that the real estate board(s) may, during the term of the listing and thereafter, distribute the information in the MLS® database to any persons authorized to use such service which may include other brokerages, government departments, appraisers, municipal organizations and others; market the Property, at its option, in any medium, including electronic media; during the term of the listing and thereafter, compile, retain and publish any statistics including historical MLS® data and retain, reproduce and display photographs, images, graphics, audio and video recordings, virtual tours, drawings, floor plans, architectural designs, artistic renderings, surveys and listing descriptions which may be used by board members to conduct comparative analyses; and make such other use of the information as the Brokerage and/or real estate board(s) deem appropriate, in connection with the listing, marketing and selling of real estate during the term of the listing and thereafter.

In the event that this Agreement expires or is cancelled or otherwise terminated and the Property is not sold, the Seller, by initialling: Does Does Not

consent to allow other real estate board members to contact the Seller after expiration or other termination of this Agreement to discuss listing or otherwise marketing the Property.

- 12. **SUCCESSORS AND ASSIGNS:** The heirs, executors, administrators, successors and assigns of the undersigned are bound by the terms of this Agreement
- 13. **CONFLICT OR DISCREPANCY:** If there is any conflict or discrepancy between any provision added to this Agreement (including any Schedule attached hereto) and any provision in the standard pre-set portion hereof, the added provision shall supersede the standard pre-set provision to the extent of such conflict or discrepancy. This Agreement, including any Schedule attached hereto, shall constitute the entire Agreement between the Seller and the Listing Brokerage. There is no representation, warranty, collateral agreement or condition which affects this Agreement other than as expressed herein.
- 14. **ELECTRONIC COMMUNICATION:** This Listing Agreement and any agreements, notices or other communications contemplated hereby may be transmitted by means of electronic systems, in which case signatures shall be deemed to be original. The transmission of this Agreement by the Seller by electronic means shall be deemed to confirm the Seller has retained a true copy of the Agreement.
- 15. **SCHEDULE(S):** See "Refer to Listing Agreement" and data form attached hereto form(s) part of this Agreement.

THE LISTING BROKERAGE AGREES TO MARKET THE PROPERTY ON BEHALF OF THE SELLER AND REPRESENT THE SELLER IN AN ENDEAVOUR TO OBTAIN A VALID OFFER TO PURCHASE THE PROPERTY ON THE TERMS SET OUT IN THIS AGREEMENT OR ON SUCH OTHER TERMS SATISFACTORY TO THE SELLER.

(Authorized to bind the Listing Brokerage) DATE JUNE 23, 16 PETER GARRIGAN
 (Name of Person Signing)

THIS AGREEMENT HAS BEEN READ AND FULLY UNDERSTOOD BY ME AND I ACKNOWLEDGE THIS DATE I HAVE SIGNED UNDER SEAL. Any representations contained herein or as shown on the accompanying data form respecting the Property are true to the best of my knowledge, information and belief

SIGNED, SEALED AND DELIVERED I have hereunto set my hand and seal:

..... DATE (Tel No)
 (Signature of Seller) (Seal)

..... DATE
 (Signature of Seller) (Seal)

SPOUSAL CONSENT: The undersigned spouse of the Seller hereby consents to the listing of the Property herein pursuant to the provisions of the Family Law Act, R.S.O. 1990 and hereby agrees that he/she will execute all necessary or incidental documents to further any transaction provided for herein.

..... DATE
 (Spouse) (Seal)

DECLARATION OF INSURANCE

The broker/salesperson
 (Name of Broker/Salesperson)

hereby declares that he/she is insured as required by the Real Estate and Business Brokers Act (REBBA) and Regulations.

.....
 (Signature(s) of Broker/Salesperson)

ACKNOWLEDGEMENT

The Seller(s) hereby acknowledge that the Seller(s) fully understand the terms of this Agreement and have received a true copy of this Agreement on the day of, 20

..... Date:

..... Date:

Schedule "A"

Re: Listing Agreement (the "**Agreement**") for 425 Patricia Avenue in the city of Toronto, Ontario (the "**St. Clair Property**"), 15 Mallow Road in the city of Toronto, Ontario (the "**Mallow Property**"), 177 Caledonia Road in the city of Toronto, Ontario ("**Caledonia Property**") and 1780 Lawrence Avenue West in the city of Toronto, Ontario (the "**Lawrence Property**", and collectively with the Patricia Property, the Mallow Property and the Caledonia Property, the "**Properties**") among **COLLIERS INTERNATIONAL** (the "**Listing Brokerage**"), **URBANCORP (PATRICA) INC.**, the owner of the Patricia Property, ("**Patricia Seller**"), **URBANCORP (MALLOW) INC.**, the owner of the Mallow Property (the "**Mallow Seller**"), **URBANCORP (ST. CLAIR VILLAGE) INC.**, the owner of the St. Clair property (the "**St. Clair Seller**"), **AND URBANCORP (LAWRENCE) INC.**, the owner of the Lawrence Property (the "**Lawrence Seller**" and collectively with the Mallow Seller, the St. Clair Seller and the Patricia Seller, the "**Sellers**"), and **KSV KOFMAN INC.** solely in its capacity as the Court appointed Monitor of the Sellers and not in its personal capacity (the "**Monitor**").

Notwithstanding anything contained in the Agreement, each of Listing Brokerage, the Monitor and the Sellers acknowledges and agrees as follows:

1. **Termination Rights.** The Monitor may without penalty or cost to the Sellers terminate the Agreement at any time, if the Listing Brokerage is in default hereunder or under any other agreement with the Sellers. In addition, this Agreement shall automatically terminate if: (a) the Sellers are restricted in or enjoined from dealing with the Properties by a court of competent jurisdiction; and/or (b) any of the mortgages of the Properties are permitted by Court order to enforce their rights and/or remedies.

2. **Price.** While it is the Sellers' intention to obtain the highest and best offer for the Properties, the Listing Brokerage acknowledges and agrees that the Sellers need not accept the highest offers and/or the best offers or any offer, and that acceptance by the Sellers of any offers for the Properties are subject at all times to the Sellers' approval in its sole and absolute discretion and as well as approval by the Court. No fee, commission or other compensation is payable to the Listing Brokerage in respect of any of the Properties unless and until the sale of such Property has been completed and the applicable Seller is paid in its entirety (other than any portion of the purchase price to be paid by VTB mortgage or similar post-closing payment arrangement).

3. **Holdover Period Commission.** Any fee, commission or other compensation payable to the Listing Brokerage in connection with a holdover period, being six months from the termination of the Listing Agreement ("**Holdover Period**"), shall: (a) only apply to those purchasers who were introduced to the Sellers or to the Properties by the Listing Brokerage during the Listing Period and who the Listing Brokerage has previously disclosed in writing to the Sellers no later than three (3) days following the earlier of the expiration or termination of the Agreement; and (b) be reduced by any fee, commission and/or other compensation paid to another broker or agent for the sale of the Properties as the new Listing Brokerage (the "**New Agent**") on the basis of an agreement with the New Agent entered into with respect to the Holdover Period.

If the Listing Brokerage had introduced up to a maximum of two (2) different prospective *bona fide* purchasers to the Sellers during the Listing Period (each being a "**Serious Prospect**") and said Serious Prospect had entered into material negotiations with the Sellers to purchase the Properties, but said material negotiations had not resulted in a binding agreement of purchase and sale, to the extent that each of the Listing Brokerage and the Sellers agree in writing to designate said prospective purchaser as a Serious Prospect prior to the expiration of the Listing Period, and so long as the Sellers are not prohibited from doing so, and provided that the New Agent has agreed to forego its fee should a sale to a Serious Prospect be completed, the Listing Brokerage shall be entitled to its commission in connection with the transaction being completed with the Serious Prospect upon terms and conditions acceptable to the Sellers in their sole and absolute discretion, which transaction must be subject to Court approval and a binding and unconditional agreement of purchase and sale executed by each of the parties thereto prior to the expiration of the Holdover Period.

During the Holdover Period, the Listing Brokerage will not be entitled to any commission, payment or fee as the Sellers' agent if the Listing Team represents the purchaser.

4. **Listing Brokerage's Duties.** The Listing Brokerage covenants and agrees with the Sellers and the Monitor to:

- (a) pursuant to the Sellers's instructions as outlined below, offer each of the Properties for sale on an un-priced basis (save and except as described in (b) below with respect to the Multiple Listings Service ("MLS"));
- (b) if instructed by the Sellers, offer each of the Properties for sale on MLS, for which the listed price shall be \$1.00 (as a price is required) and the Commissions to Co-operating Brokerage shall be \$1.00 (it being the intention that the buyer(s) shall be responsible for any commissions to any Cooperating Agents (as defined below));
- (c) unless otherwise agreed by the Sellers, diligently market each of the Properties for sale and use commercially reasonable efforts to sell the Properties pursuant to the following process:

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 1 - Underwriting</i>		
Due diligence	<ul style="list-style-type: none"> ➤ Colliers to review all available documents concerning the Properties, including environmental reports and planning and development reports 	By end of June
Finalize marketing materials	<ul style="list-style-type: none"> ➤ Colliers and the Monitor to: <ul style="list-style-type: none"> ○ prepare a development summary; ○ populate an online data room; ○ prepare a Vendor's form of Purchase and Sale Agreement (the "PSA"); ○ prepare a confidentiality agreement ("CA"); and ○ prepare a Confidential Information Memorandum ("CIM") 	
Prospect Identification	<ul style="list-style-type: none"> ➤ Colliers to develop a master prospect list. Colliers will qualify and prioritize prospects. ➤ Colliers will also have pre-marketing discussions with targeted developers 	

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 2 – Marketing</i>		
Stage 1	<ul style="list-style-type: none"> ➤ Mass market introduction, including: <ul style="list-style-type: none"> ○ Offering summary and marketing materials printed ○ publication of the acquisition opportunity in <i>The Globe and Mail</i> (National Edition) ○ publication of the acquisition opportunity in newspapers and publications catering to the market where the properties are located ○ publication in newspapers and publications in China or other Asian target markets ○ telephone and email canvass of leading prospects ○ meet with and interview bidders 	First two weeks of July
Stage 2	<p>Colliers to provide detailed information to qualified prospects which sign the CA, including the CIM, access to the data room and a form PSA</p> <ul style="list-style-type: none"> ➤ Colliers to facilitate all diligence by interested parties 	To – Mid August
Stage 3	<ul style="list-style-type: none"> ➤ Prospective purchasers to submit PSAs 	Mid-August
<i>Phase 3 – Offer Review and Negotiations</i>		
	<ul style="list-style-type: none"> ➤ Proposal short listing and approval ➤ 2nd Round Bids - Prospective purchasers may be asked to re-submit PSAs 	One week following bid deadline
Selection of Successful Bids	<ul style="list-style-type: none"> ➤ Select successful bidder and finalize definitive documents. 	One week
Sale Approval Motion and Closing	<ul style="list-style-type: none"> ➤ Motion for sale approval and close transaction 	Two weeks

- (d) co-operate with all licensed real estate brokers and agents in the sale of the Properties (collectively the “**Cooperating Agents**” and each a “**Cooperating Agent**”), with any commissions or fees of such Cooperating Agents to be paid by the purchasers or by the Listing Brokerage (out of the Listing Fee);
- (e) ensure that there is continuity in the assignment of individual staff members and partners to the work performed by the Listing Brokerage under the terms of this engagement. In particular, the Listing Brokerage agrees to ensure that individual staff members originally assigned, including Ryan Thomson (collectively the “Listing Team”), to perform work in connection with the Listing Brokerage’s engagement, will each be available and will devote the time required to undertake the assignment contemplated herein;

- (f) subject to the instructions of the Sellers, to assist the Sellers in negotiating binding agreements of purchase and sale subject to Court approval with those parties identified by the Sellers. Only the Sellers shall have authority to accept offers and the Listing Brokerage shall not have any authority whatsoever to enter into any sale, financing or other contract on behalf of the Sellers and/or to otherwise bind the Sellers in any manner whatsoever;
- (g) continue to assist the Sellers and the Monitor in connection with the sale of the Properties and seeking Court approval after the execution of a binding agreement of purchase and sale with respect to the same until such sale has been successfully concluded; and
- (h) unless the Sellers' written consent is provided in advance, to act solely for the benefit of the Sellers in connection with the marketing and sale of the Properties and not to have any direct or indirect interest in any entity purchasing or proposing to purchase the Properties and not to receive any payments or other benefits from said purchasers or potential purchasers.

5. **Commission Payable to the Listing Brokerage.** The Sellers shall pay to the Listing Brokerage upon the successful completion of sale of each of the Properties, a commission payable in accordance with Appendix "A" attached hereto (the "**Listing Fee**"). No additional commission or fee shall be payable by the Sellers in the event that the Properties are sold through a Cooperating Agent.. A Cooperating Agent may be employed at the Listing Brokerage so long that they are not a member of the Listing Team. For greater certainty, other than the Listing Team, all other agents shall be treated as third party Cooperating Agents, shall not be provided with any confidential information and shall be compensated pursuant to this Agreement as a Cooperating Agent. Said Cooperating Agent commission shall be payable by the purchaser or the Listing Brokerage (from the Listing Fee) to said Cooperating Agent's brokerage. The Sellers acknowledges that payment of HST applies on all commissions payable. As it relates to the commission payable, a sale constitutes a court approved sale of the Properties, share transaction, redemption, exercise of first right to purchase, option or other form of sale or transfer of the rights of the subject Properties. The Sellers agrees to notify the Listing Brokerage of the successful completion or closing. The Sellers hereby instructs its solicitors and agrees to advise the court to distribute payment to the Listing Brokerage in the amount noted above directly out of the proceeds of sale in accordance with an accepted agreement of purchase and sale and to have same addressed as a closing cost to the transaction.

6. **Acknowledgments.** The Listing Brokerage acknowledges and agrees in favour of the Sellers that:

- (a) the Properties are to be marketed and sold on an "as is, where is" basis and, accordingly, any agreement of purchase and sale shall provide for an acknowledgment by such purchaser that the Properties are being sold by the Sellers on an "as is, where is" basis, and that no representations or warranties have been or will be made by the Monitor, Sellers, or anyone acting on its behalf, to the Listing Brokerage or such purchaser as to the condition of the Properties or any buildings located thereon;
- (b) the Sellers may annex a schedule to the transfer/deed of land (or other registrable document with respect to the sale) expressly excluding any covenants deemed to be included pursuant to the *Land Registration Reform Act* of Ontario, other than one to the effect that the Sellers has the right to convey the Properties;
- (c) in lieu of a transfer/deed of land for the Properties, the Sellers will vest title to the Properties by way of a vesting order; and
- (d) the sale of the Properties requires the prior approval of the Ontario Superior Court of Justice (Commercial List) in said Court's sole and absolute discretion.

7. **Advertisement Expenses & Third Party Consultants.** All advertising and sales promotion shall be subject to the approval of the Sellers and the Monitor and all such advertisement and promotional material shall be prepared, published and distributed by the Listing Brokerage and shall be at the expense of the Listing

Brokerage. All third party reports and legal service fees requested and/or approved by the Sellers and the Monitor shall be at the expense of the Sellers.

8. **Indemnity.** The Listing Brokerage confirms that it owes an obligation to the Sellers and its officers, employees and agents and the Monitor (collectively, the "Indemnified Parties") to carry out its activities in a competent and professional manner acting reasonably and in good faith. As such, the Listing Brokerage confirms that it owes an obligation to the Indemnified Parties with respect to claims made by third parties against the Indemnified Parties arising out of work performed by the Listing Brokerage or the Listing Brokerage's failure to comply with its obligations hereunder. This indemnity shall survive the expiration or termination of the Agreement.

9. **Confidentiality.** The Listing Brokerage shall treat and shall cause its agents to treat as confidential and shall not disclose, during as well as after the rendering of the service contracted herein, any confidential information, records or documents to which the Listing Brokerage becomes privy as a result of its performance of the Agreement and shall take all necessary steps to ensure the confidentiality of information in the Listing Brokerage's possession or control except for disclosure that may be required for the reasonable performance by the Listing Brokerage of its responsibilities hereunder.

10. **Assignment.** This Agreement shall not be assigned in whole or in part by the Listing Brokerage without the prior written consent of the Sellers which consent may be unreasonably and/or arbitrarily withheld and any assignment made without that consent is void and of no effect.

11. **Sellers' Capacity.** Notwithstanding the foregoing or anything else contained herein or elsewhere, the Listing Brokerage acknowledges and agrees that both the execution of this Agreement and any transaction or transactions involving a sale of any of the Properties require the prior approval of the Ontario Superior Court of Justice (Commercial List) in said Court's sole and absolute discretion.

12. **Warranty.** Subject always to Section 11 above and the remainder of this Section 12, the Sellers represents and warrants that the Sellers have the exclusive authority and power to execute this Agreement and to authorize the Listing Brokerage to offer the Properties for sale. Notwithstanding the foregoing and Section 7 of the pre-printed portion of this Agreement, the Listing Brokerage acknowledges and agrees that the Sellers has only limited knowledge about the Properties and cannot confirm any third party interests or claims with respect to the Properties such as rights of first refusal, options, easements, mortgages, encumbrances or other otherwise concerning the Properties, which may affect the sale of the Properties. Section 7 of the pre-printed portion of this Agreement is qualified by the previous sentence.

13. **Facsimile & Counterparts.** This Agreement and any other agreement delivered in connection therewith, and any amendments thereto, may be executed by facsimile transmittal facilities, or electronic copy in a portable document format or such similar format and if so executed and transmitted, will be for all purposes as effective as if the parties had delivered an executed original of this Agreement, or such other agreement or amendment, as the case may be, and shall be deemed to be made when the receiving party confirms this Agreement, or such agreement or amendment, as the case may be, to the requesting party by facsimile or by electronic copy in a portable document format or such similar format. This Agreement may be executed in several counterparts, and each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and, notwithstanding their date of execution, shall be deemed to bear date as of the date first written above.

14. **Jurisdiction.** This Agreement shall be governed and construed in accordance with the laws of the Province of Ontario. If any provision hereof is invalid or unenforceable in any jurisdiction where this Agreement is to be performed, such provision shall be deemed to be deleted and the remaining portions of this Agreement shall remain valid and binding on the parties hereto.

15. **Finder's Fees.** The Sellers **do not** consent to the Listing Brokerage (or their respective affiliates) receiving and retaining, in addition to the commission provided for or otherwise contemplated in this Agreement, a finder's fee for any financing of the Properties. Section 4 of the pre-printed portion of this Agreement is amended accordingly.

16. **Verification of Information.** The Sellers authorizes the Listing Brokerage to obtain any information from any regulatory authorities, governments, mortgagees or others affecting the Properties and the Sellers agrees to execute and deliver such further authorizations in this regard as may be reasonably required. For greater certainty, none of the Listing Brokerage or the Listing Brokerage's representatives may bind the Sellers or execute any documentation on behalf of the Sellers. The Sellers hereby authorizes, instructs and directs the above noted regulatory authorities, governments, mortgagees or others to release any and all information to the Listing Brokerage. Section 10 of the pre-printed portion of this Agreement is amended accordingly.

17. **Listing Period.** The term of this Agreement shall begin upon acceptance of this Agreement (the "Commencement Date") and shall expire one minute before midnight on the four month anniversary of following the Commencement Date or upon earlier termination as otherwise prescribed herein. Notwithstanding any other provision in this Agreement, the Listing Brokerage shall not advertise the Properties on MLS until the Sellers provide provides expressed authority to do so and all marketing materials have been approved. The Listing Brokerage shall have five (5) days following said approval to post the Properties on the MLS.

18. **Separate Properties.** Notwithstanding that this Agreement applies to four Properties, all rights and obligations of each of the parties to this Agreement (including, without limitation, the Listing Brokerage's Duties and the Commission Payable to the Listing Brokerage) shall be interpreted and construed as applying to each of the Properties individually, it being the intention that the Properties may be sold on an individual basis to different buyers.

19. **Parmountcy.** In the event of any conflict or inconsistency between the provisions of the pre-printed portion of this Agreement and the provisions of this Schedule "A", the provisions of this Schedule "A" shall prevail and govern

COLLIERS INTERNATIONAL

Per: _____

Name: _____

Title: PETER GARRIGAN
VP BUSINESS DEVELOPMENT

**URBANCORP (ST. CLAIR VILLAGE) INC.,
URBANCORP (PATRICIA) INC., URBANCORP
(MALLOW) INC., URBANCORP (LAWRENCE)
INC.**

Per: _____

Name: Robert Kofman, President of KSV
Kofman Inc. and monitor of the companies

**KSV KOFMAN INC. IN ITS CAPACITY AS
MONITOR OF URBANCORP (ST. CLAIR
VILLAGE) INC., URBANCORP (PATRICIA) INC.,
URBANCORP (MALLOW) INC., URBANCORP
(LAWRENCE) INC. AND NOT IN ITS PERSONAL
CAPACITY**

Per: _____

Name: Robert Kofman

Title: President of KSV Kofman Inc.

Urbancorp (Mallow) Inc., Urbancorp (Patricia) Inc.,
Urbancorp (St. Clair Village) Inc. and Urbancorp (Lawrence) Inc.

Colliers - Listing Fee

Canadian dollars

	Proceeds	Percentage Commission
First	50,000,000	0.90%
Next	10,000,000	1.15%
Next	10,000,000	1.50%
Next	10,000,000	1.75%
Thereafter		2.50%

Appendix “D”



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>

	<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

	<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;

	<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

	<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;

	<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.

•

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 “E”



June 24, 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" or "Commitment Letter") summarizes the terms under which Atrium Mortgage Investment Corporation (the "Lender") is prepared to provide DIP financing, subject to the satisfaction of the conditions summarized in this Agreement.

Borrowers: Urbancorp (St. Clair Village) Inc. and Urbancorp (Lawrence) Inc. ("Borrowers" or the "Mortgagors").

The obligations and liabilities of the Borrowers shall be joint and several.

Properties: 1780 Lawrence Avenue West, Toronto: a 7.45 acre former TDSB Schoolboard site to be developed into 88 semi-detached and townhouse units.

177 Caledonia Road, Toronto: a 2.05 acre former TDSB Schoolboard site which has zoning in place to develop 41 semi-detached units.

Loan: Non-revolving, super-priority, credit facility (also known as the "DIP Facility") in the aggregate amount of up to \$10 million, inclusive of principal, accrued interest and unpaid fees. The advances (each an "Advance" and collectively "Advances") under the DIP Facility will be made available in tranches of \$100,000, as requested by the Monitor pursuant to a drawdown certificate it issues (each an "Advance Request"), and in aggregate shall not exceed \$10.0 million. Advances shall be funded by wire transfer into an account designated by the Monitor.

Provided the Properties are being actively listed for sale, and there has been no default under the Loan, the Borrower shall have the option to increase the Loan amount by \$2.5 million to \$12.5 million (the "Loan Increase") which will include a deduction for an interest reserve (to be calculated by the Lender). The Lender Fee of 1.25% on the Loan Increase will be payable upon the first funding of the Loan Increase.

Purpose: 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.

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.

Lender: Atrium Mortgage Investment Corporation (also called the 'Mortgagee'). Atrium Mortgage Investment Corporation may participate in or assign the Loan at its discretion.

Interest Rate: 8.25% per annum. Interest on the principal amount of each Advance outstanding from time to time shall be calculated at a rate of 8.25 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.

Term: 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, and may be extended for up to six months by the Monitor and Lender in writing (also known as the "Repayment Date").

The Mortgage shall be open without penalty upon 60 days written notice.

Amortization: None.

Security: 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 and all other assets of the Borrowers (the "Collateral"); and cross collateralized first mortgages on the Properties in the amount of \$12.5 million.

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 counsel in a principal amount not to exceed \$750,000 (the "Administration Charge") and (b) any permitted encumbrances which are acceptable to the Lender in its sole discretion, as provided for in the DIP Approval Order ("Permitted Encumbrances").

The charges on the Collateral applicable in the CCAA shall rank in the following order of priority: first, the Administration Charge and second, the DIP Charge.

The Borrowers will execute such other collateral security documents as the Lender's solicitor deems necessary to secure the Lender's interest.

Repayment: See Term above. All interest on the DIP Facility shall accrue and be paid on the Repayment Date.

Realty Taxes: Any Realty Tax arrears shall be paid from the first Advance under the DIP Facility. The Borrowers or Monitor shall provide written proof to the Lender that all realty taxes are paid. In the event of non-payment of taxes by the Borrower during the Term of the Loan, the Borrower shall pay to the Lender, on the first day of each month, an amount estimated by the Lender to be one-twelfth of the annual taxes of the Property. Until there is a default hereunder or under the Mortgage, the Lender shall from time to time make payments to the taxing authority when taxes are due. Where the Lender has made tax payments in excess of those collected, such excess amount shall be payable on demand and shall be secured by the Mortgage and bear interest at the interest rate under the Mortgage. After default the Lender may, at its sole option, pay taxes with respect to the Property and such payments will be added to the principal balance of the Mortgage. The Lender reserves the right to adjust, from time to time, the estimated monthly tax amount payable, based on taxes actually levied against the Property.

All fees charged to the Lender by the municipality for the provision of tax bills relating to the Property and any fees charged to the Lender in obtaining proof of payment of taxes relating to the Property and the Lender's administration fee for obtaining same shall form part of the indebtedness under the Mortgage and shall be added to the principal balance under the Mortgage and interest at the interest rate under the Mortgage shall be payable thereon until repaid.

Notwithstanding the above, as long as the Borrowers remain the registered owners of the Property and there has been no default under the Mortgage, the Borrowers will be allowed to pay realty taxes in respect of the Property directly to the taxing authority, provided the Borrowers give the Lender within 30 days from the date on which each tax instalment is due a receipt or such other verification as the Lender may require as evidence that all realty taxes have been paid in full by their due date. If at any time there is ever a default under the Mortgage or the Borrowers fail to make payments and provide evidence thereof in accordance with this paragraph, the provisions of this paragraph shall cease to apply.

In consideration of the foregoing, the Borrowers agree that they shall not make any arrangement or agreement, with the taxing authority to defer payment of any realty taxes assessed in respect of the Property.

Due on Sale: The Mortgage shall provide that should the Mortgagor directly or indirectly sell, convey, transfer, further encumber or dispose of the Mortgaged Property, or any part thereof, or any interest therein, or agree so to do, without the written consent of the Mortgagee in its absolute discretion being first obtained, then the Mortgagee shall have the right, at its option, to declare forthwith due and payable the entire balance of the unpaid principal with accrued and unpaid interest due thereon. The decision to accelerate the Loan shall be at the sole option of the Mortgagee. The consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. For the purposes hereof, the expression "indirectly" shall include a "Change of Control" of either of the corporations constituting the Borrower.

"Control" means the legal and beneficial ownership of shares of a corporation entitling the holder or holders thereof to 50% or more of the votes and shall include shares,

warrants, options or other rights to purchase such securities or obligations convertible into or exchangeable for such securities, or any shareholders and shall include any agreement by which one or more persons may control or veto decisions made by the board of directors or shareholders of a corporation.

“Change of Control” means the issuance of additional shares, the sale, transfer, assignment or other disposition of outstanding shares, the redemption or cancellation of outstanding shares, the amalgamation or merger of a corporation with another corporation or an agreement entered into or amended or terminated which results in a change in the person or persons who Control a corporation.

Subsequent
Financing:

The Borrowers covenant and agree that they shall not, without the prior written consent of the Lender, execute or deliver any mortgage, charge, lien or other encumbrance of the Property and/or any personal property associated therein which is intended to rank in priority to or subordinate to any of the security documents, failing which, at the option of the Lender, the Loan shall immediately become due and payable.

Survival of
Commitment:

The terms, conditions, representations and warranties expressed herein shall form part of the commitment upon approval and shall continue in effect as long as any part of the Loan remains outstanding and shall bind the personal representatives, heirs, successors and assigns of the Lender and the Borrowers shall enure to the benefit of the successors and assigns of the Lender, and the Borrowers. In the event of any conflict between the Commitment and the Security, to the extent only of the conflict, the Lender shall elect which provisions apply.

Material
Change:

It is a condition for disbursement of funds that in the Lender’s opinion the financial position of the Borrowers, and the Property given as security, and the Borrowers’ representations and warranties, shall not have suffered any adverse change; nor shall there be any action, suits, or pending proceedings of which the Borrowers have knowledge; and that no event shall have occurred, which materially and adversely affects the whole or part of the value of the mortgaged property or the financial position of the Borrowers, it being acknowledged by the Lenders that the Borrowers are insolvent and subject to proceedings under the *Companies’ Creditors Arrangement Act*.

Further Events
Of Default:

The following shall be additional events of default entitling the Lender to exercise its remedies under the Mortgage, including its rights at its option to require the Borrowers to immediately pay the entire amount of principal and accrued interest then outstanding:

- (i) if a material adverse change as set out above occurs,
- (ii) if any of the representations or warranties made by the Borrowers in its application for the Loan or in any document or certificate delivered pursuant hereto is incorrect in a material respect.

Insurance:

The Borrowers shall ensure that the Properties shall at all times carry insurance coverage, including liability insurance, in amounts appropriate for urban lands of similar

size and value. Prior to the funding date, the Mortgagee will require confirmation that it has been added as a loss payee under the Borrowers' insurance policies.

Documentation: All documentation shall be in a form prescribed by the Mortgagee and as approved by its solicitor. The security documents, if any, are to be prepared by the Mortgagee's solicitors:

Stephen Haller
Beard Winter LLP
T: 416-306-1780

Lender Fee: The Mortgagors shall pay a non-refundable commitment fee of \$125,000. The Mortgagors authorize the payment of this fee to be deducted from the funds when advanced.

As long as there has not been a default on the Loan, there will be two 3 month options to extend the Loan with an extension fee of \$31,250 on each extension of the Loan which will be paid at the time of extension. The extension fee payable in respect to any extension of less than 3 months shall be proportionate.

A Lender Fee of 1.25% will be deducted from the Loan Increase upon the first advance.

Good Faith

Deposit: \$15,000 payable to the Lender which shall be applied to the Lender's legal fees, and other reasonable loan related expenses.

Expropriation: The proceeds of any expropriation, condemnation, eminent domain or like proceeding or the sale in lieu of or in reasonable anticipation thereof of the whole or any part of the Property shall, at the sole option of the Lender, be paid to the Lender in priority to any claims of any other party (other than the Administration Charge and the Permitted Encumbrances) and shall be applied in reduction of any amounts payable hereunder or under the Security.

Representations

and Warranties: 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):

- (i) the Property is in material compliance in all respects with and is not in contravention of any relevant municipal or provincial laws, by-laws, statutes, ordinances and regulations (including but not limited to all environmental laws and regulations), easements, site plans, subdivision agreements and development agreements, and all security required to be provided under any subdivision development, and/or other agreement has been provided;
- (ii) the Property has legal and unencumbered access to and from a public highway, and there are no easements or rights-of-way affecting the Property which have or

may have a material adverse effect on the existing or proposed use and development of the Property;

- (iii) The existing municipal infrastructure can service the proposed developments;
- (iv) 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;
- (v) 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");
- (vi) 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 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;
- (vii) 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;
- (viii) 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;

- (ix) There are no unregistered charges, carried interests, rights of first refusal, or other rights for the benefit of third parties affecting the Collateral, except for agreements to purchase homes to be built on the properties; and
- (x) the Borrowers hereby represent and warrant that neither the Borrowers, nor, to their knowledge, any other person, has ever caused or permitted any Hazardous Material as hereinafter defined to be placed, held, located or disposed of on, under or at the Property and that its business and assets are operated in compliance with applicable laws intended to protect the environment (including, without limitation laws respecting the discharge, emission, spill or disposal of any Hazardous Materials) and that no enforcement actions in respect thereof are threatened or pending and covenants to cause any person permitted by the Borrowers to use or occupy the Property or any part thereof to continue to so operate.

Environmental
Indemnity:

The Borrowers hereby indemnify the Lender, its officers, directors employees, agents and its shareholders and agree to hold each of them harmless from and against any and all losses liabilities, damages, costs, expenses and claims of any and every kind whatsoever which at any time or from time to time may be paid, incurred or asserted against any of them for, with respect to, or as a direct result of, the presence on or under, or the discharge, emission, spill or disposal from, the Property or into any land, the atmosphere, or any watercourse, body of water or wetland, or any Hazardous Material where it has been proven that the source of the Hazardous Material is the Property (including, without limitation): (i) the costs of defending and/or counter-claiming or claiming over against third parties in respect of any action or matter; and (ii) any cost, liability or damage arising out of a settlement of any action entered into by the Lender with the consent of the Borrowers (which consent shall not be unreasonably withheld); and the provisions of and undertakings and indemnification set out in this Section shall survive the satisfaction and release of the security Documents and payment and satisfaction of the mortgage and liability of the Borrowers to the Lender pursuant to this Agreement. The indemnity contained herein in favour of the Lender shall enure to the benefit of the Lender's successors and assignees of the Security. For the purposes of this Section "Hazardous Material" means any contaminant or pollutant or any substance that when released into the natural environment is likely to cause at some immediate or future time, material harm or degradation to the natural environment or material risk to human health and without restricting the generality of the foregoing, hazardous waste or dangerous goods as defined by applicable federal, provincial or municipal laws for the protection of the natural environment or human health.

The indemnity contained herein shall survive the repayment of the mortgage and shall continue in full force and effect so long as the possibility of any such liability, claim or loss exists.

Positive

Covenants:

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:

- a) 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;
- b) 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;
- c) 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;
- d) keep the Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Borrowers;
- e) deliver to the Lender such reporting and other information from time to time reasonably required by the Lender;
- f) use the Advances only for the purposes contemplated hereby;
- g) maintain its corporate existence;
- h) 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;
- i) 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;
- j) 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;
- k) comply with all applicable laws, rules and regulations applicable to the business of the Borrowers, including without limitation environmental laws; and
- l) 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:

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:

- a) 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;
- b) 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;
- c) 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
- d) 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 acknowledged by the Lender 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.

Preconditions
to Funding:

The Loan shall be subject to, and the ability for the Borrowers to obtain advances from time to time shall be subject to, the following conditions:

- a) the delivery to the Lender, with a copy to the Monitor, of an Advance Request;
- b) 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;
- c) 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;
- d) the representations and warranties will be true and correct in every material respect;
- e) no Event of Default will have occurred or be continuing; and
- f) the Lender shall not have demanded repayment of the DIP Obligations;

Lender's
Approval
Rights:

From the date hereof until the Loan is repaid and discharged, the Borrower shall not make any amendments to the existing improvements, and the existing or proposed zoning by-laws affecting the Property, license agreement, development agreement, management agreement, or consulting agreement, without the prior written approval of the Lender in its sole discretion.

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 DIP Facility:

- 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;
- 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.

Advance of Funds:

The Lender will fund the Loan when each of the following conditions have been satisfied:

- a) A true copy of the realty tax assessment for the Property, and evidence that all payments owing at the date of funding have been made or will be made within three business days of the closing of this transaction to the date hereof with respect to taxes and local improvement charges;
- b) All other applicable terms and conditions of this Commitment Letter have been met.

Expenses:

Whether or not the Loan is disbursed, and notwithstanding retention of a Good Faith Deposit by the Lender, all of the Lender's costs and expenses relating to the Loan, including legal costs, and any reasonable costs and expenses incurred by the Lender due to proceedings under the *Companies' Creditors Arrangement Act* relating to the Borrowers are the joint and several responsibility of and shall be paid by the Borrowers. Such reasonable costs and expenses may be added to the then outstanding principal balance of the Mortgage and shall bear interest at the interest rate under the Mortgage.

Expiry and Cancellation:

Upon approval by the Lender of the terms and conditions contained in this Commitment Letter, and without prejudice to and without derogating from any other right of the Lender, the Lender shall have the right, at its sole option, to cancel this commitment if:

1. The security documents, if any, are not registered by July 15, 2016 provided that same have been delivered to the Borrower or its solicitors in a registerable form on the immediately preceding day; and
2. The initial advance of funds is not made by July 15, 2016.

The Lender may, at its sole option from time to time, elect to extend the above-mentioned date by which the security documents are to be registered and/or the date by which the Loan is to be disbursed. Time shall be of the essence of this Commitment Letter, the commitment once issued and all other terms and conditions shall remain unchanged.

Expiry Date:

June 30, 2016, at which time this Commitment Letter will be cancelled.

Acceptance:

Please signify your acceptance of this Commitment Letter by executing where indicated below, initialing each page, and returning the same to this office together with the Good Faith Deposit by no later than the Expiry Date after which this Commitment Letter becomes void and may not be accepted without the further written concurrence of the Mortgagee.

The parties agree that this Commitment Letter may be executed in counterparts, and that evidence of execution thereof may be provided by facsimile transmission.

Yours truly,
Atrium Mortgage Investment Corporation



Robert Goodall, MBA
President

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

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