



**Third 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**

August 23, 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**

AUGUST 23, 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 (collectively, St. Clair, Patricia, Mallow, Downsview, Lawrence and UTMI are referred to as the "Companies".) KSV Kofman Inc. ("KSV") was appointed as the Proposal Trustee of each of the Companies.
2. 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" and each an "Urbancorp CCAA Entity") were granted protection under the *Companies' Creditors Arrangement Act* (the "CCAA") and KSV was appointed monitor (the "Monitor").
3. 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.
4. On June 30, 2016, the Court made an order approving, *inter alia*: (i) a sale process ("Sale Process") for the Properties (as defined below); and (ii) a debtor-in-possession facility ("DIP Facility") to be used to fund the CCAA proceedings.

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 through a Court-supervised 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 the Court with an update on the status of:
 - i. the Sale Process, including a summary of offers received on the bid deadline, being August 16, 2016 (the “Offer Summary”); and
 - ii. certain assets of the Urbancorp Group (as defined below);
 - b) report on the Urbancorp CCAA Entities’ cash flow projection for the period August 19, 2016 to November 25, 2016 (“Cash-Flow Statement”);
 - c) provide an overview of the Monitor’s activities since the commencement of the CCAA proceedings; and
 - d) recommend that the Court make an order:
 - i. sealing the confidential appendix;
 - ii. granting the Urbancorp CCAA Entities’ request for an extension of its stay of proceedings from September 2, 2016 to November 25, 2016; and
 - iii. approving the activities of the Monitor as set out in this Report.

1.2 Currency

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

1.3 Restrictions

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

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

2.0 Background

1. The Urbancorp CCAA Entities, together with several affiliates, comprise the Urbancorp Group (collectively, the "Urbancorp Group"). The Urbancorp Group's background is summarized in the First Report of the Monitor dated June 9, 2016. A copy of the First Report is provided in Appendix "A", without appendices.
2. The table below provides a summary of the properties (collectively, the "Properties" and each a "Property") 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

2.1 Urbancorp Inc.

1. Urbancorp Inc. ("UC Inc."), the parent company of the Companies,¹ was incorporated on June 19, 2015 for the purpose of raising capital in the public markets in Israel. Pursuant to a deed of trust dated December 7, 2015, UC Inc. made a public offering of debentures (the "IPO") in Israel for NIS 180,583,000 (approximately C\$64 million based on the exchange rate at the time of the IPO) (the "Bonds").
2. Each of the Lawrence, Mallow, Patricia, Downsview and St. Clair (collectively, the "Backup Companies") entered into loan agreements with UC Inc. in respect of the advances made to them from UC Inc. using the proceeds of the Bond offering (the "Intercompany Loans"). The loan agreements set out that these advances are unsecured and functionally subordinated to certain other obligations of the Backup Companies.
3. On April 25, 2016, the District Court in Tel Aviv Yafo granted Guy Gissin (the "Foreign Representative") certain powers, authority and responsibilities over UC Inc. (the "Israeli Proceedings"). The Israeli Proceedings have been recognized by the Court as foreign main proceedings and KSV is the Information Officer in those proceedings.

¹ Other than UTMI.

3.0 Sale Process

1. The Sale Process is described in the Second Report of the Monitor dated June 24, 2016. A copy of the Second Report is provided in Appendix “B”, without appendices.
2. The Monitor, on behalf of the Companies, engaged Colliers Macaulay Nicolls Ontario Inc. (“Colliers”) to act as listing agent to sell the Properties.
3. The Properties were listed for sale on July 4, 2016. Approximately 140 parties signed confidentiality agreements and were provided access to an online data room and a Confidential Information Memorandum containing information regarding the Properties. Interested parties conducted property tours and performed other diligence, including talking with the Urbancorp Group’s advisors, such as its real estate lawyers and other consultants engaged on the Properties.
4. 46 offers were received for the Properties, as follows:
 - sixteen (16) offers were received for St. Clair;
 - six (6) offers were received for Lawrence;
 - ten (10) offers were received for Mallow; and
 - fourteen (14) offers were received for Patricia.
5. A summary of the offers is provided in Confidential Appendix “1” (the “Offer Summary”).
6. As of the date of this Report, the Monitor has accepted offers and received deposits related thereto for each of Lawrence and Mallow and is advancing the Sale Process as it relates to Patricia and St. Clair. The Monitor intends to work with interested parties to complete these transactions, with a target closing date of no later than mid-October, 2016. Any such transaction will be subject to prior approval of this Court.
7. In order to be able to make distributions of the proceeds generated from the sale of the Properties, it will be necessary to commence a claims process for many of the Urbancorp CCAA Entities (the “Claims Process”). The Monitor intends to commence the Claims Process in the near term.
8. In the event that the contemplated transactions are completed, the Monitor expects that the sale proceeds will be sufficient to satisfy all mortgages and registered liens, known vendor claims, home buyer deposits and the Intercompany Loans².

² Based on the amounts reflected in the Companies’ books and records. This excludes the Downsview Intercompany Loan as Downsview was not part of the Sale Process. The amounts of the claims may change depending on the results of the Claims Process.

3.1 Confidential Appendix

1. The Monitor recommends that the Offer Summary be filed with the Court on a confidential basis and be sealed. The release of the information in the Offer Summary will negatively impact the Sale Process as it includes details regarding the offers received prior to any transaction having closed. The Monitor is not aware of any party that will be prejudiced if the information is sealed.

4.0 Other Assets

1. The following sections provide an update on the status of certain other assets of the Urbancorp Group.

4.1 Urbancorp 60 St. Clair Inc.

1. Urbancorp 60 St. Clair Inc. (“60 St. Clair”), an Urbancorp CCAA entity, owns a 40% interest in 834, 836 and 840 St. Clair Avenue West (the “St. Clair West Property”). The remaining 60% interest in the St. Clair West Property is owned by an arm’s length party, Hendrick and Main Developments Inc., an affiliate of Main and Main (“HMDI” and jointly with 60 St. Clair, the “Co-Owners”).³
2. Concurrent with the purchase of the St. Clair West Property, the Co-Owners entered into a Co-Owners Agreement (the “Co-Owners Agreement”). The Co-Owners Agreement contains provisions which limit 60 St. Clair’s rights to sell its interest in the St. Clair West Property.
3. As part of pre-construction efforts, Agreements of Purchase and Sale (“APS”) were entered into for 13 residential condominium units. Deposits were paid to the Co-Owners’ lawyer, Harris Sheaffer LLP (“Harris Sheaffer”), and all amounts are being held in trust by that firm.
4. Since the commencement of the CCAA proceedings, the Monitor has been working with representatives of HMDI to sell the St. Clair West Property. On August 9, 2016, the Co-Owners entered into a Purchase and Sale Agreement (“PSA”) for that property. The PSA is subject to a number of conditions, including obtaining Court approval for the sale of 60 St. Clair’s interest, diligence and the termination of the 13 APS. The APS have been terminated in accordance with their terms and the deposits are in the process of being returned to the purchasers. The Monitor intends to seek Court approval of this transaction once all conditions have been waived or satisfied.

³ 840 St. Clair West Inc., a nominee entity, owns the St. Clair West Property on behalf of its beneficial owners, 60 St. Clair (40%) and HMDI (60%).

4.2 Kingsclub Project

1. Urbancorp New King Inc. (“UNKI”) is an indirect subsidiary of UC Inc. It is not presently subject to the CCAA proceedings. UNKI owns a 50% interest in 1100 King Street West, Toronto (the “Kingsclub Project”). The remaining 50% interest of the Kingsclub Project is owned by King Liberty North Corporation (“KLNC”), an affiliate of First Capital Realty Inc. (“FCR”).⁴
2. The Kingsclub Project is located on King Street West in Toronto. It is presently under construction and will consist of residential and retail space together with related residential and retail parking space. Pursuant to the Initial Order, the Monitor was appointed to the management committee of the Kingsclub Project.
3. The Monitor understands that the total outstanding loan obligations for financing of the Kingsclub Project are currently approximately \$152 million.
4. Since the commencement of the restructuring proceedings, the Monitor has been in regular contact with representatives of FCR and its legal counsel, Torys LLP, concerning the Kingsclub Project. Negotiations have taken place between FCR and the Monitor to try to monetize UNKI’s interest in the project; however, so far those efforts have been unsuccessful. As a result, it is likely that formal insolvency proceedings will be commenced in respect of UNKI in the near term in order to try to monetize this interest.

4.3 Geothermal Assets

1. UC Inc. holds an indirect interest in geothermal assets (collectively, the “Geothermal Assets”) located at four condominium projects developed by entities in the Urbancorp Group. The condominium projects are as follows (collectively, the “Geothermal Condos”):

Description	Address
Edge	36 Lisgar Street, Toronto
Curve	170 Sudbury Street, Toronto
Bridge	38 Joe Shuster Way, Toronto
Fuzion	20 Joe Shuster Way, Toronto

⁴ Kings Club Development Inc., a nominee entity, owns the Kingclub Project on behalf of its beneficial owners, UNKI (50%) and KLNC (50%).

2. The Geothermal Assets for each of the Geothermal Condos are primarily comprised of (i) a geothermal condo room unit; (ii) a geothermal energy system; (iii) certain associated mechanical systems, piping in, under and appurtenant to the Geothermal Condos; and (iv) a management agreement entered into with Urbancorp Renewable Power Inc. (“URPI”), a corporation that is not a subsidiary of UC Inc. and that is not subject to these CCAA proceedings, to manage each of the geothermal energy systems and to deal with and collect revenues from the relevant condominium corporation under a Service Agreement between URPI and the relevant condominium corporation.
3. The Fuller Landau Group Inc. (“Fuller Landau”), in its capacity as Proposal Trustee of certain of the entities in the Urbancorp Group, including Edge Residential Inc., Edge on Triangle Park Inc. and Bosvest Inc. (collectively, the “Edge Companies”), has indicated that the Edge Companies may have an interest in certain of the Geothermal Assets. The Monitor and Fuller Landau have asked legal counsel to the Urbancorp CCAA Entities to review the ownership structure of the Geothermal Assets and the transactions related thereto. Several complexities exist in this regard. Once the review has been completed, the Monitor hopes to be in a position to make a recommendation to the Court on how to deal with the Geothermal Assets.

5.0 Cash Flow

1. The Cash-Flow Statement and related assumptions for the period August 19, 2016 to November 25, 2016 (the “Period”), together with Management’s Report on the Cash-Flow Statement, are provided in Appendix “C”.
2. The Urbancorp CCAA Entities’ principal assets are undeveloped real estate, which do not presently generate positive cash flow. The expenses in the Cash-Flow Statement include payroll, general and administrative expenses and professional fees. The Cash Flow Statement does not reflect the sale of the Properties during the Period as the release of such information would negatively impact the Sale Process as the transactions have not yet closed.
3. On June 30, 2016, the Court approved the DIP Facility. On July 15, 2016, Atrium Investment Mortgage Corporation (“AMIC”), the DIP lender, advanced \$3.2 million to the Monitor, of which approximately \$700,000 has been used to fund these proceedings. No further draws under the DIP Facility are projected during the Period.
4. The Monitor is of the view that the material assumptions in the Cash-Flow Statement are reasonable. The Monitor’s report on the Projection is provided in Appendix “D”.

6.0 Request for an Extension

1. The Urbancorp CCAA Entities are seeking an extension of the stay of proceedings from September 2, 2016 to November 25, 2016. The Monitor supports the Urbancorp CCAA Entities' request for an extension of the stay of proceedings for the following reasons:
 - a) the Urbancorp CCAA Entities are acting in good faith and with due diligence;
 - b) no creditor will be materially prejudiced if the extension is granted;
 - c) it will provide the Monitor and the Companies time to advance and hopefully complete the Sale Process;
 - d) it will allow the Monitor to consider next steps in connection with these proceedings, including dealing with the Geothermal Assets and UNKI's interest in the Kingsclub Project;
 - e) it will allow the Monitor and the Companies the opportunity to commence the Claims Process; and
 - f) as of the date of this Report, neither the Urbancorp CCAA Entities nor the Monitor is aware of any party opposed to an extension.

7.0 Overview of the Monitor's Activities

1. The Monitor's activities since the commencement of the proceedings have included:

7.1 General Activities

- a) corresponding extensively with Urbancorp CCAA Entities' management, Davies Ward Phillips & Vineberg LLP ("Davies"), the Monitor's legal counsel, and legal counsel to the Urbancorp CCAA Entities, regarding the CCAA proceedings;
- b) attending regularly at the Urbancorp CCAA Entities' head office;
- c) preparing for the Urbancorp CCAA Entities' application under the CCAA;
- d) attending at Court as required during the CCAA proceedings;
- e) reviewing all motion materials and Court orders made during the CCAA proceedings;
- f) preparing the Monitor's various reports to Court;
- g) considering cost saving initiatives;
- h) preparing and sending notices to creditors of the Urbancorp CCAA Entities, as required under the CCAA;

- i) preparing and arranging for two advertisements to be published in the Globe and Mail (National Edition), as required under the CCAA;
- j) preparing and e-filing information about the Urbancorp CCAA Entities under Form 1 and Form 2 as required by the CCAA;
- k) corresponding with Canadian Imperial Bank of Commerce (“CIBC”), Toronto Dominion Bank and Bank of Montreal to change the signing authorities for the Urbancorp CCAA Entities’ bank accounts at each of the banks;
- l) corresponding with CIBC and Gowling WLG (Canada) LLP, counsel to CIBC, regarding preauthorized withdrawals from tenants of the Urbancorp CCAA Entities’ rental condos;
- m) reviewing the Urbancorp CCAA Entities’ financial information;
- n) reviewing the Urbancorp CCAA Entities’ daily bank activity;
- o) reviewing all of the Urbancorp CCAA Entities’ disbursements and signing all cheques;
- p) arranging and monitoring a digital backup of the Urbancorp CCAA Entities’ books and records;
- q) corresponding with various vendors regarding the continued supply of services during the CCAA proceedings;
- r) reviewing UTMI’s payroll and staffing levels;
- s) dealing with employee matters, including convening employee meetings;
- t) considering UTMI’s cost allocation between the Urbancorp CCAA Entities and other entities not included in the CCAA proceedings;
- u) corresponding with Fuller Landau regarding the allocation of certain of UTMI’s costs to the Edge Companies;
- v) corresponding with Alvarez & Marsal Canada ULC, the Court appointed receiver of Urbancorp (Leslieville) Developments Inc., Urbancorp (Riverdale) Developments Inc. and Urbancorp (The Beach) Developments Inc. in respect of information requests and the allocation of UTMI’s payroll expenses;
- w) corresponding with the Foreign Representative, its legal counsel, Goodmans LLP, and its financial advisor, A. Farber and Partners Inc.;
- x) reviewing a Prospectus filed by UC Inc. in connection with the Bond offering;
- y) reviewing the uses of the proceeds from the Bond IPO;
- z) reviewing loan agreements between the Backup Companies and UC Inc.;

- aa) responding to and considering information requests made by the Foreign Representative;
- bb) attending with the Foreign Representative at the Properties;
- cc) corresponding with KRG Insurance Brokers, the Urbancorp CCAA Entities' insurance broker, in order to renew certain insurance policies;
- dd) corresponding with Harris Sheaffer, the Urbancorp CCAA Entities' real estate lawyers, regarding, *inter alia*, the Geothermal Assets and various historical transactions;
- ee) maintaining the Service List as required pursuant to the Commercial List E-Protocol;
- ff) corresponding with MNP LLP, the Urbancorp CCAA Entities' accountants, regarding historical financial information and the tax implications of prospective transactions;
- gg) corresponding with Toronto Dominion Bank regarding servicing mortgage obligations due to it during the CCAA proceedings;
- hh) preparing a summary of deposits made by home buyers on each of Properties;
- ii) reviewing provisions of the purchase and sale agreements related to the sale of homes by the Properties;
- jj) preparing a Notice to Home Buyers dated June 29, 2016 and posting same on the Monitor's website;
- kk) speaking and emailing with home buyers on certain of the Companies' projects;
- ll) responding to letters from home buyers mailed to Mr. Justice Newbould;
- mm) preparing an amended Notice to Home Buyers dated August 2, 2016;
- nn) corresponding with Bennett Jones LLP, counsel to Alan Saskin, the principal of the Urbancorp Group;
- oo) conducting a review of intercompany transactions between the Companies and other entities in the Urbancorp Group;
- pp) summarizing and reviewing financial information in respect of the condominium rental units owned by the Urbancorp CCAA Entities;
- qq) reviewing quotes and selecting a vendor to complete certain work at Mallow, pursuant to an agreement with the City of Toronto and dealing with a city solicitor regarding same;
- rr) corresponding with Tert & Ross Ltd. to coordinate weekly inspections of the Properties and to arrange for a fence to be installed at the Lawrence Property;

- ss) corresponding with Aird & Berlis LLP, real estate counsel to the Urbancorp CCAA Entities on certain of the properties, regarding the status of certain zoning applications;
- tt) corresponding with Torys LLP, counsel to Tarion Warranty Corporation, regarding the status of home buyers' deposits;
- uu) corresponding with Dickinson Wright LLP, counsel to certain homebuyers, including reviewing materials in connection with a motion to be appointed as representative counsel to homebuyers;
- vv) assisting the Urbancorp CCAA Entities to prepare the various cash flow projections filed in the CCAA proceedings;
- ww) reviewing financial information upon which the cash flow projections were based, including:
 - i. revenue assumptions; and
 - ii. operating expense assumptions;
- xx) preparing Management's Reports on Cash Flow Statement;
- yy) preparing Monitor's Reports on Cash-Flow Statement;

7.2 Sale Process

- a) responding to unsolicited calls from real estate agents, realtors and prospective purchasers in respect of the Sale Process;
- b) considering and running a Sale Process, including compiling a list of prospective purchasers and assembling information for an electronic data room;
- c) preparing a broker solicitation process to engage a listing agent;
- d) reviewing proposals from realtors as part of the broker solicitation process and corresponding internally regarding same;
- e) preparing a summary of the broker proposals and providing same to the Foreign Representative and the Companies' representatives;
- f) negotiating a listing agreement with Colliers;
- g) corresponding with Colliers and Davies regarding the Sale Process;
- h) reviewing, commenting and approving Colliers' marketing materials, including an email teaser and confidential information memorandum;
- i) reviewing and approving a confidentiality agreement ("CA") prepared by Colliers;

- j) reviewing and commenting on changes made to the CA by interested parties;
- k) arranging for Sale Process marketing materials to be posted on Realtor.ca;
- l) reviewing and commenting on a form of purchase and sale agreement to be posted in the data room for interested parties to use when submitting offers in the Sale Process;
- m) reviewing and commenting on a liability waiver to be signed by all interested parties that conduct a property site tour in connection with the Sale Process;
- n) receiving regular updates on the status of the Sale Process;
- o) participating on calls with prospective purchasers, as required;
- p) reviewing and negotiating offers received as part of the Sale Process;
- q) accepting offers for the Lawrence and Mallow properties, subject to Court approval;
- r) advancing the Sale Process for Patricia and St. Clair;

7.3 DIP Facility

- a) compiling a list of prospective DIP lenders;
- b) preparing solicitation letters to prospective lenders detailing the DIP opportunity;
- c) preparing a draft term sheet in respect of the DIP financing solicitation process;
- d) preparing a confidentiality agreement (“DIP CA”) for prospective lenders in respect of the DIP financing solicitation;
- e) corresponding extensively with eleven prospective DIP lenders that signed a DIP CA;
- f) reviewing all offers received as part of the DIP solicitation process;
- g) preparing a summary of all offers received in the DIP solicitation process;
- h) negotiating and finalizing the DIP Facility;
- i) arranging the Companies’ first draw under the DIP Facility;
- j) opening a bank account in connection with the DIP Facility;
- k) reviewing and paying the property taxes owing on the properties owned by Lawrence and St. Clair, the collateral for the DIP Facility;

- l) arranging to add AMIC as a loss payee on the St. Clair and Lawrence insurance policies;
- m) extending the Urbancorp CCAA Entities' cash-flow projections to the end of October, 2016 for the purpose of sizing the DIP Facility;

7.4 Downsview

- a) dealing extensively with Mattamy Homes ("Mattamy") regarding the Downsview project;
- b) meeting with Alan and Ted Saskin regarding the Downsview project, including to obtain background information concerning the project;
- c) dealing with issues related to the financing of the Downsview project;
- d) corresponding with Cassels Brock & Blackwell LLP, counsel to Mattamy, regarding a debtor-in-possession loan from Mattamy (Downsview) Inc., an affiliate of Mattamy, to Downsview (the "Downsview DIP");
- e) dealing with matters concerning the Downsview DIP, including board of director matters and various requirements of Mattamy in order to make the DIP loan;
- f) negotiating and sizing the Downsview DIP;
- g) reviewing closing documents in respect of the Downsview DIP;

7.5 St. Clair West Property

- a) reviewing documents in respect of the 60 St. Clair and the St. Clair West Property including financial statements, purchaser deposit listings and details with respect to certain transactions;
- b) corresponding with Harris Sheaffer regarding the purchaser deposit funds being held in trust;
- c) corresponding with Fasken Martineau DuMoulin LLP, counsel to Travellers Canada, the bonding company on 60 St. Clair;
- d) corresponding with prospective purchasers in respect of 60 St. Clair;
- e) reviewing and finalizing an agreement of purchase and sale in respect of the St. Clair West Property, subject to Court approval;
- f) reviewing letters and releases in connection with cancelling the APS in connection with 60 St. Clair;

7.6 Geothermal Assets

- a) reviewing financial information concerning the Geothermal Assets;
- b) reviewing the geothermal energy supply agreements in relation to the ownership of Geothermal Assets;
- c) reconciling the amounts owed to certain of Urbancorp CCAA Entities in connection with the Geothermal Assets;
- d) dealing with Alan and Ted Saskin concerning the Geothermal Assets, including to obtain background regarding these assets, and amounts owed to various Urbancorp CCAA Entities by condominium corporations which use the Geothermal Assets;
- e) corresponding with Fuller Landau regarding the Geothermal Assets;

7.7 Kingsclub Property

- a) corresponding with Urbancorp CCAA Entities' management to receive background information on the Kingsclub Property;
- b) receiving updates on the status of the Kingsclub Property;
- c) considering valuation issues in respect of the Kingsclub Property;
- d) corresponding with representatives from FCR and its counsel, Torys LLP, regarding the status of the Kingsclub Property;
- e) attending meetings and conference calls with FCR's representatives; and
- f) considering next steps with respect to the Kingsclub Property.

8.0 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 (d) of this Report.

* * *

All of which is respectfully submitted,



**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”



**First Report to Court of
KSV Kofman Inc. as CCAA Monitor of
Urbancorp Toronto Management Inc.,
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June 9, 2016

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COURT FILE NO.: CV-16-11389-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF URBANCORP TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR
VILLAGE) INC., URBANCORP (PATRICIA) INC., URBANCORP (MALLOW)
INC., URBANCORP (LAWRENCE) INC., URBANCORP DOWNSVIEW PARK
DEVELOPMENT INC., URBANCORP (952 QUEEN WEST) INC., KING
RESIDENTIAL INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC.,
BRIDGE ON KING INC. (COLLECTIVELY, THE "APPLICANTS") AND THE
AFFILIATED ENTITIES LISTED IN SCHEDULE "A" HERETO**

JUNE 9, 2016

1.0 Introduction

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

5. The Initial Order:

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

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

1.1 Purposes of this Report

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

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

1.2 Currency

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

1.3 Restrictions

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

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

2.0 Background

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

2.1 Israeli Proceedings

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

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

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

3.0 Update on the Israeli Proceedings

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

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

4.0 Restructuring Process

4.1 Development Proposal

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

4.2 Broker Solicitation Process

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

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

5.0 Cash Flow

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

6.0 DIP Financing Process

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

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

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

7.0 Downsview

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

7.1 DHI Facility⁴

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

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

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

7.2 Monitor's Recommendation

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

8.0 Request for an Extension

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

9.0 Overview of the Monitor's Activities

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

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

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

10.0 Conclusion and Recommendation

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

* * *

All of which is respectfully submitted,

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

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

Schedule "A"

Urbancorp (952 Queen West) Inc.
King Residential Inc.
Urbancorp 60 St. Clair Inc.
High Res. Inc.
Bridge on King Inc.
Urbancorp Power Holdings Inc.
Vestaco Homes Inc.
Vestaco Investments Inc.
228 Queen's Quay West Limited
Urbancorp Cumberland 1 LP
Urbancorp Cumberland 1 GP Inc.
Urbancorp Partner (King South) Inc.
Urbancorp (North Side) Inc.
Urbancorp Residential Inc.
Urbancorp Realtyco Inc.

Appendix “B”



**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
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June 24, 2016

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Schedules and Appendices

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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 “C”

Urbancorp Filing Entities Listed on Schedule "A"

Projected Statement of Cash Flow¹

For the Period Ending November 25, 2016

(Unaudited; \$C)

	Note	Week Ending													Total	
		26-Aug-16	02-Sep-16	09-Sep-16	16-Sep-16	23-Sep-16	30-Sep-16	07-Oct-16	14-Oct-16	21-Oct-16	28-Oct-16	04-Nov-16	11-Nov-16	18-Nov-16		25-Nov-16
<i>Receipts</i>																
Rental revenue	2	-	27,194	-	-	-	-	27,194	-	-	-	27,194	-	-	-	81,582
Collections on behalf of Edge Entities	3	-	26,500	-	-	-	-	26,500	-	-	-	26,500	-	-	-	79,500
Overhead cost recoveries	4	-	97,000	-	-	-	19,000	-	-	-	19,000	-	-	19,000	154,000	
HST refunds	5	-	-	-	80,000	-	-	-	50,000	-	-	-	-	50,000	180,000	
<i>Total Receipts</i>		-	150,694	-	80,000	-	19,000	53,694	50,000	-	19,000	53,694	-	50,000	19,000	495,082
<i>Disbursements</i>																
Wages and salaries, including source deductions	6	-	45,500	-	45,500	-	45,500	-	45,500	-	-	45,500	-	45,500	-	273,000
Rental property financing	7	-	22,573	-	-	-	-	22,573	-	-	-	22,573	-	-	-	67,719
Geothermal asset financing	8	-	17,500	-	-	-	-	17,500	-	-	-	17,500	-	-	-	52,500
Office and general	9	600	1,477	600	600	600	600	1,477	600	600	600	600	600	600	600	10,154
Telephone and internet		-	3,262	-	-	-	2,550	712	-	-	2,550	712	-	-	2,550	12,336
Hydro		-	9,473	-	-	-	875	8,598	-	-	875	8,598	-	-	875	29,294
IT consulting fees		-	1,000	-	-	-	1,000	-	-	-	1,000	-	-	-	1,000	4,000
Site maintenance costs	10	6,577	24,314	6,577	6,577	6,577	6,577	24,314	6,577	6,577	6,577	24,314	6,577	6,577	6,577	145,289
Property taxes	11	269,107	137,765	-	-	-	-	-	-	-	-	-	-	-	-	406,873
Insurance	12	-	875	-	-	-	-	875	-	-	-	875	-	-	-	2,625
Transfers to Edge Companies	3	-	26,500	-	-	-	-	26,500	-	-	-	26,500	-	-	-	79,500
Contingency		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	210,000
<i>Total Operating Disbursements</i>		291,284	305,239	22,177	67,677	22,177	72,102	117,549	67,677	22,177	26,602	162,172	22,177	67,677	26,602	1,293,290
<i>Net Cash Flow Before the Undernoted</i>		(291,284)	(154,545)	(22,177)	12,323	(22,177)	(53,102)	(63,855)	(17,677)	(22,177)	(7,602)	(108,478)	(22,177)	(17,677)	(7,602)	(798,208)
Professional fees re: restructuring	13	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	1,680,000
<i>Net Cash Flow</i>		(411,284)	(274,545)	(142,177)	(107,677)	(142,177)	(173,102)	(183,855)	(137,677)	(142,177)	(127,602)	(228,478)	(142,177)	(137,677)	(127,602)	(2,478,208)
Opening cash balance	14	2,881,407	2,470,123	2,195,578	2,053,401	1,945,724	1,803,547	1,630,445	1,446,590	1,308,913	1,166,736	1,039,134	810,656	668,479	530,802	2,881,407
Net cash flow		(411,284)	(274,545)	(142,177)	(107,677)	(142,177)	(173,102)	(183,855)	(137,677)	(142,177)	(127,602)	(228,478)	(142,177)	(137,677)	(127,602)	(2,478,208)
Closing cash balance		2,470,123	2,195,578	2,053,401	1,945,724	1,803,547	1,630,445	1,446,590	1,308,913	1,166,736	1,039,134	810,656	668,479	530,802	403,200	403,200

Purpose and General Assumptions

1. The purpose of the projection ("Projection") is to present a forecast of the entities listed on Schedule "A" ("Urbancorp CCAA Entities") for the period August 19, 2016 to November 25, 2016 (the "Period") in respect of its proceedings under the Companies' Creditors Arrangement Act.

The Monitor is in the process of conducting a sale process for properties owned by Urbancorp (Mallow) Inc., Urbancorp (Patricia) Inc., Urbancorp (St. Clair Village) Inc. and Urbancorp (Lawrence) Inc. (collectively, the "Properties"). Multiple offers have been received on each of the Properties. As of the date of Projection, the Monitor has accepted offers for each of Lawrence and Mallow and is advancing the sale process as it relates to Patricia and St. Clair. The contemplated transactions remain subject to Court approval. The Projection does not reflect the closing of the transactions for the Properties during the Period as the release of such information would negatively impact the sale process as the transactions have not yet closed. The Monitor believes that transactions for the Properties are likely to be completed in October, 2016.

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

Most Probable Assumptions

2. Represents rental income earned from condominiums owned by the Urbancorp CCAA Entities.
3. Represents the collection and transfer of rent collected on behalf of Edge Residential Inc. and Edge on Triangle Park Inc. (the "Edge Companies").
4. Represents recoveries of payroll and other overhead costs from The Fuller Landau Group Inc., the Proposal Trustee of the Edge Companies.
5. Represents estimated HST refunds from the Canada Revenue Agency.
6. Payroll is paid bi-monthly. Payroll includes source deductions, benefits and WSIB.
7. Represents financing costs related to rental units owned by the Urbancorp CCAA Entities.
8. Represents financing costs related to a geothermal asset owned by the Urbancorp CCAA Entities.
9. Represents office supplies, postage and office cleaning costs.
10. Includes costs for fence rental, daily inspection, minor housekeeping, the removal of garbage, yard maintenance and general repairs.
11. Represents property taxes due to the City of Toronto.
12. Represents annual insurance premiums.
13. The professional fees are in respect of the Monitor, its legal counsel, legal counsel to the Urbancorp CCAA Entities and counsel to the Israeli bondholders of Urbancorp Inc. The amounts reflected are estimates only.
14. Represents the opening cash balance in the Urbancorp CCAA Entities' bank accounts as at August 19, 2016.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
URBANCORP TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC.,
URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP
(LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENT INC.,
URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP 60 ST.
CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC., AND THE AFFILIATED ENTITIES
LISTED IN SCHEDULE "A" HERETO**

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

The management of Urbancorp Toronto Management Inc. Urbancorp (St. Clair Village) Inc., Urbancorp (Patricia) Inc., Urbancorp (Mallow) Inc., Urbancorp (Lawrence) Inc., Urbancorp Downsvievw Park Development Inc., Urbancorp (952 Queen West) Inc., King Residential Inc., Urbancorp 60 St. Clair Inc., Hi Res. Inc. Bridge on King Inc. and the affiliated entities listed in Schedule "A" Hereto (collectively, the "Urbancorp CCAA Entities"), have developed the assumptions and prepared the attached statement of projected cash flow as of the 23rd day of August, 2016 for the period August 19, 2016 to November 25, 2016 ("Cash Flow").

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the Cash Flow. All such assumptions are disclosed in Notes 2 to 14.

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

The Cash Flow has been prepared solely for the purpose outlined in Note 1, using a set of hypothetical and probable assumptions set out in Notes 2 to 14. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 23rd day of August, 2016.



Alan Saskin, Director

The Urbancorp CCAA Entities

SCHEDULE "A"

- Urbancorp Power Holdings Inc.
- Vestaco Homes Inc.
- Vestaco Investments Inc.
- 228 Queen's Quay West Limited
- Urbancorp Cumberland 1 LP
- Urbancorp Cumberland 1 GP Inc.
- Urbancorp Partner (King South) Inc.
- Urbancorp (North Side) Inc.
- Urbancorp Residential Inc.
- Urbancorp Realtyco Inc.

Appendix “D”

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
URBANCORP TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC.,
URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP
(LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENT INC.,
URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP 60 ST.
CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC., AND THE AFFILIATED ENTITIES
LISTED IN SCHEDULE "A" HERETO**

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

The attached statement of projected cash-flow of Urbancorp Toronto Management Inc. Urbancorp (St. Clair Village) Inc., Urbancorp (Patricia) Inc., Urbancorp (Mallow) Inc., Urbancorp (Lawrence) Inc., Urbancorp Downsview Park Development Inc., Urbancorp (952 Queen West) Inc., King Residential Inc., Urbancorp 60 St. Clair Inc., Hi Res. Inc. Bridge on King Inc. and the affiliated entities listed in Schedule "A" Hereto (collectively, the "Urbancorp CCAA Entities"), as of the 23rd day August, 2016, consisting of a weekly projected cash flow statement for the period August 19, 2016, to November 25, 2016 ("Cash Flow") has been prepared by the management of the Urbancorp CCAA Entities for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Notes 2 to 14.

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

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

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

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

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

Dated at Toronto this 23rd day of August, 2016.

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"
List of Non-Applicant Affiliated Companies

- Urbancorp Power Holdings Inc.
- Vestaco Homes Inc.
- Vestaco Investments Inc.
- 228 Queen's Quay West Limited
- Urbancorp Cumberland 1 LP
- Urbancorp Cumberland 1 GP Inc.
- Urbancorp Partner (King South) Inc.
- Urbancorp (North Side) Inc.
- Urbancorp Residential Inc.
- Urbancorp Realtyco Inc.