



**Supplement to the Forty-Ninth Report to Court
of KSV Restructuring 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**

November 30, 2021

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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**

SUPPLEMENT TO THE FORTY-NINTH REPORT OF KSV RESTRUCTURING INC.

November 30, 2021

1.0 Introduction

1. This report (the "Supplemental Report") supplements the Monitor's Forty-Ninth Report to Court (the "49th Report").
2. Defined terms in this Supplemental Report have the meaning provided to them in the 49th Report, unless otherwise defined herein.

2.0 Waterfall Reconciliation

1. On November 24, 2021, the Foreign Representative served its responding motion record. The motion record contained two waterfalls prepared by Farber Group, the Foreign Representative's financial advisor, valuing Downsview's equity as at February 28, 2022 in the range of \$3.8 million to \$7.4 million.
2. The Monitor last filed a waterfall with the Court on March 8, 2021, reflecting that the value of Downsview's equity is \$2.2 million.
3. Appendix "A" to this Supplemental Report reconciles the Foreign Representative's calculations of the estimated value of Downsview's equity to the Monitor's estimate of same, and details various concerns it has with the Foreign Representative's analyses.

4. The Monitor has previously advised the Foreign Representative of its concerns with the Foreign Representative's analyses. This was addressed by the Monitor in paragraph 3.0.4 of its Supplement to the Forty-Fourth Report, which states:

"The March Affidavit includes two waterfalls prepared by the Foreign Representative since the date of the 44th Report. One reflects management fees paid to Mattamy in Phase 1 and the other reflects no management fees paid to Mattamy in Phase 1. As there was no cash flow to pay the management fees in Phase 1, the one reflecting payment of the management fees in that phase is incorrect. This error has been explained to the Foreign Representative's financial advisor and he has acknowledged it. Further, the second version of the waterfall is also incorrect because it overstates the management fees payable to UTMI (i.e., the management fees are not in a 3:1 ratio) and understates either the DHI Facility until the Project is completed or, if the DHI Facility is paid out as part of any earlier purchase, the return that an investor would require for the capital used to repay the DHI Facility."

5. As detailed in Appendix "A", the Foreign Representative's current waterfalls have issues similar to its earlier waterfalls.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

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

Schedule "A"

Urbancorp Toronto Management Inc.

Urbancorp (952 Queen West) Inc.

King Residential Inc.

Urbancorp 60 St. Clair Inc.

High Res. Inc.

Bridge on King Inc.

Urbancorp Power Holdings Inc.

Vestaco Homes Inc.

Vestaco Investments Inc.

228 Queen's Quay West Limited

Urbancorp Cumberland 1 LP

Urbancorp Cumberland 1 GP Inc.

Urbancorp Partner (King South) Inc.

Urbancorp (North Side) Inc.

Urbancorp Residential Inc.

Urbancorp Realtyco Inc.

Appendix “A”

Bridge of Foreign Representative's Waterfalls to Monitor's Waterfall

(unaudited)

(Note: MM is millions of dollars and K is thousands of dollars.)

The Foreign Representative's materials filed with the Court on November 24, 2021 have two waterfalls:

- the first reflects that the value of Downsview's equity in Downsview Home Inc. is \$7.4MM ("FR1"); and
- the second reflects that the value of Downsview's equity is \$3.8MM ("FR2").

The Monitor last filed a waterfall with the Court on March 8, 2021, reflecting that the value of Downsview's equity is \$2.2MM (the "Monitor's Waterfall").

This schedule reconciles the calculation of Downsview's equity in each of the above waterfalls.

None of the waterfalls include the third \$21MM which Mattamy claims is owing to it or the payment of management fees to UTMI.

Bridge Analysis	Note	(\$ millions)
FR1, value of Downsview equity	1	7.40
Deduction of Mattamy's share of the Management Fees which Foreign Representative included in FR1		(3.65)
FR2, value of Downsview equity (rounded to \$3.8MM to tie to FR2)	1	3.80
Deduction of additional Management Fees payable to Mattamy		(0.15)
Estimated rate of return		(1.45)
Monitor's Waterfall, value of Downsview equity	2	2.20

(Due to rounding by the FR in its waterfalls, amounts in the schedule above differ by up to \$100k from FR1 and FR2.)

Notes:

1. FR1 reflects the value of Downsview's equity is \$7.4MM.

Pursuant to the Agreements, Mattamy is entitled to be paid Management Fees from the Project (they are calculated as a percentage of sales). Mattamy earned \$10.5MM in Management Fees from Phase 1 of the Project; however, because Phase 1 did not generate sufficient cash flow to pay these Management Fees, they had to be paid from Phase 2. Losses from Phase 1 cannot be carried over to Phase 2, in the Monitor's view.

FR1 assumes that Mattamy was paid Management Fees of approximately \$7.3MM in Phase 1. These fees, however, had to be paid in Phase 2 because of Phase 1's underperformance. As Management Fees are a Project expense, and Downsview owns 50% of DHI, this reduces the value of Downsview's equity to \$3.65MM, which reconciles to the Foreign Representative's calculation of Downsview's equity in FR2.

FR2 reflects the payment of \$7.3MM in Management Fees in Phase 2 that are reflected by the Foreign Representative in FR1.

Bridge of Foreign Representative's Waterfalls to Monitor's Waterfall

(unaudited)

(Note: MM is millions of dollars and K is thousands of dollars.)

2. The Monitor's Waterfall reflects that the value of Downsview's equity is \$2.2MM, which is bridged from FR2 by the following:

- Management Fees (\$150K): The Monitor's Waterfall is net of an additional \$300K in Management Fees owing on the Project, i.e. not reflected in FR1 or FR2. This reduces the value of Downsview's equity by 50% of \$300K, or \$150K.
- Estimated rate of return (\$1.4 million): The Monitor's Waterfall reflects the return that purchaser would require on a payout of the DHI Facility (assumed to be 15%).

	FR2	Monitor's Waterfall
Purchase price	14.40	14.40
DHI Facility	10.60	10.60
Value of Downsview's equity	3.80	2.20
Profit*	-	1.60

* For simplicity purposes, excludes \$150K Management Fee Adjustment reflected in the table.

The Foreign Representative's analyses are flawed because:

- FR1 includes Management Fees that had to be paid from Phase 2;
- FR2 does not consider (i) additional Management Fees that need to be paid from Phase 2, and (ii) the estimated return a buyer would require on a purchase of the Downsview Interest.

The Foreign Representative's analysis is further flawed because it assumes that the value of the Downsview Interest is determined immediately following the Arbitration, which is scheduled for February 2022. The Project, however, is not scheduled to be completed until at least July 2022, and the DHI Facility will continue to accrue interest until that date (or on whatever date the accounting for the Project is finalized). Interest on the DHI Facility accrues at over \$130K per month. Interest needs to be deducted from the estimated value of Downsview's equity in FR2, net of the additional Management Fees that are not included in FR2. This is calculated as follows:

FR2, value of Downsview equity	3.80
Incremental Management Fees	(0.15)
Incremental interest on the DHI Facility until projected completion (conservative estimate of 6 months)*	(0.78)
Adjusted FR2 Downsview equity	2.87

*Interest is understated. It is calculated in this analysis on a simple interest basis, whereas it compounds.