



**Second Report to Court of
KSV Kofman Inc. as Proposal
Trustee of Urbancorp (Woodbine) Inc.
and Urbancorp (Bridlepath) Inc.**

June 1, 2016

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ESTATE NO.: 31-2114850
COURT FILE NO.: 31-2114850

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
URBANCORP (WOODBINE) INC. AND
URBANCORP (BRIDLEPATH) INC.

SECOND REPORT OF KSV KOFMAN INC. AS PROPOSAL TRUSTEE

JUNE 1, 2016

1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") in its capacity as proposal trustee ("Proposal Trustee") in connection with a Notice of Intention to Make a Proposal ("NOI") filed on April 25, 2016 ("Filing Date") by Urbancorp (Woodbine) Inc. ("Woodbine") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("BIA"). On the same date, Urbancorp (Bridlepath) Inc. ("Bridlepath") also filed a NOI. (Woodbine and Bridlepath are jointly referred to herein as the "Companies".)
2. On April 21, 2016, Urbancorp (St. Clair Village) Inc., Urbancorp (Patricia) Inc., Urbancorp (Mallow) Inc., Urbancorp (Lawrence) Inc., Urbancorp Downsview Park Development Inc. and Urbancorp Toronto Management Inc., affiliates of the Companies, also filed NOIs (the "NOI Filing Entities"). KSV was appointed the Proposal Trustee in those BIA proceedings.
3. On May 18, 2016, the NOI Filing Entities and several other related companies filed for, and were granted, protection under the *Companies' Creditors Arrangement Act* ("CCAA"). KSV was appointed the Monitor in the CCAA proceedings.
4. The Companies are not subject to the CCAA proceedings.

5. On May 24, 2016, the Ontario Superior Court of Justice (“Court”) made an Order, *inter alia* (the “May 24th Order”):
 - a) administratively consolidating the Companies’ NOI proceedings; and
 - b) extending the time for the Companies to file a proposal with the Official Receiver to July 8, 2016.
6. The principal purpose of the NOI proceedings is to create a stabilized environment to allow the Companies to consider their restructuring options, including considering development opportunities and/or selling their properties through a Court-supervised process.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information concerning Woodbine;
 - b) discuss:
 - i. the application by Laurentian Bank of Canada (“Laurentian”) for the appointment of a receiver and receiver and manager (the “Receiver”) pursuant to section 243(1) of the BIA and Section 101 of the *Courts of Justice Act* (Ontario) (the “Receivership Application”) over the real estate owned by Woodbine (the “Property”);
 - ii. an unsolicited letter of intent (“LOI”) received by the Proposal Trustee in connection with the Property;
 - iii. indications of value for the Property received from two well-known real estate firms;
 - iv. other expressions of interest received by the Proposal Trustee.
 - c) recommend that the Court make an Order:
 - i. adjourning the Receivership Application until June 30, 2016; and
 - ii. sealing the confidential appendices.

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 Proposal Trustee has relied upon unaudited financial information prepared by the Companies' representatives, the books and records of the Companies and discussions with representatives of the Companies, including their lawyers and accountants. The Proposal Trustee has not performed an audit or other verification of such information. Future oriented financial information relied upon in this Report is based on the Companies' representatives' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Proposal Trustee also references indications of value for the Property that were provided to the Proposal Trustee by real estate firms. The Proposal Trustee has not performed a review of the assumptions underlying the indications of value.

2.0 Background

1. The Urbancorp Group ("Urbancorp") commenced operations in 1991. Urbancorp primarily engages in the development, construction and sale of residential properties in the Greater Toronto Area ("GTA"). A condensed organization chart for Urbancorp is provided in Appendix "A".
2. The table below provides a description of the Property.

Company	Address of Owned Property	Date Purchased	Purchase Price
Woodbine	9064-9110 Woodbine Avenue, Markham	January 30, 2014	\$5,250,000

3. The Property was purchased in order to develop a residential project ("Project"). A summary of the current status the Project is provided below:

Company	Project Description	Current Status	Deposits Received
Woodbine	28 low rise residential units	Raw land	Yes

4. Woodbine pre-sold freehold homes for the Project and collected deposits totalling approximately \$2 million related thereto (the "Deposits"). As these are freehold home projects, Woodbine was not required to hold the Deposits in trust. The Proposal Trustee understands that the Deposits have been spent.
5. Woodbine is in the process of obtaining zoning approvals in connection with the Project. Project timelines have been provided to the Proposal Trustee which reflect that construction could be completed and homes delivered to buyers by the end of 2017. The ability to deliver homes on those timelines makes Woodbine an attractive project for a purchaser. The Proposal Trustee understands that there are certain aspects of the site development plan that require resolution between Woodbine and the City of Markham planning staff.
6. Further information on the Property, including an overview of the Project, is provided in Confidential Appendix "A".

2.1 Secured Creditors

2.1.1 Laurentian

1. Laurentian has a mortgage on the Property totalling approximately \$4.7 million, before interest and accrued fees (the “Laurentian Mortgage”). Terra Firma Capital Corporation (“Terra Firma”) has a junior interest in the Laurentian Mortgage.
2. On February 4, 2016, Laurentian issued a Notice of Intention to Enforce Security pursuant to section 244(1) of the BIA against Woodbine, prior to the commencement of Woodbine’s NOI proceedings. Laurentian is not stayed by the filing of the NOI.
3. At the commencement of the NOI proceedings, the Proposal Trustee and legal counsel for Woodbine, Borden Ladner Gervais LLP (“BLG”), contacted legal counsel to Laurentian, Blake, Cassels & Graydon LLP (“Blakes”), to determine Laurentian’s intentions regarding Woodbine and the Property. It was communicated by the Proposal Trustee and BLG that they had been informed by Urbancorp’s management (“Management”) that there is considerable value in the Property after repayment of the Laurentian Mortgage and that an orderly sale process conducted in a restructuring proceeding was more likely to maximize recoveries than if the Property was sold through a power of sale process. Blakes was asked to determine whether Laurentian objected to a Court-supervised sale process conducted by the Proposal Trustee and to advise of Laurentian’s views and intentions regarding Woodbine. Blakes did not provide the Proposal Trustee or BLG with any feedback.
4. On May 19, 2016, materials were served by the Companies on, among others, Blakes seeking, *inter alia*, an extension of the stay of proceedings in the Companies’ NOI proceedings, as well as an administrative charge ranking behind the Laurentian Mortgage and the Terra Firma Mortgage (as defined below). Blakes advised at that time, amongst other things, that Laurentian had already appointed Grant Thornton Limited (“GTL”) as its receiver privately and that it would be seeking a court order appointing GTL as the Receiver of Woodbine. A copy of an email from Steve Weisz of Blakes is provided in Appendix “B”.

2.1.2 Terra Firma Capital Corporation

1. In addition to its junior interest in the Laurentian Mortgage, Terra Firma (“Terra Firma”) has a collateral mortgage on the Companies’ properties in the principal amount of approximately \$5 million (the “Terra Firma Mortgage”).

3.0 Current Status of Property

1. The Proposal Trustee is in discussions with a number of parties regarding the Property. These efforts commenced, in earnest, about one week ago as the Proposal Trustee had waited for the requested feedback from Laurentian before initiating same. A status report is as follows:
 - a) an unsolicited letter of intent (“LOI”) has been received from a party (“Interested Party”) for a purchase price that substantially exceeds the amount of the Laurentian Mortgage. This party has expressed an interest in being a stalking horse in a sale process. A copy of the LOI is provided in Confidential Appendix “B”. Although the Letter of Intent is dated March 15, 2016, the broker has confirmed to the Proposal Trustee his client’s continuing interest in the Property;
 - b) the Proposal Trustee is in discussions with a major national developer which at the date of this Report was considering an offer in excess of the Laurentian Mortgage and had expressed a willingness to repay in full the Laurentian Mortgage;
 - c) the Proposal Trustee is routinely contacted by parties expressing an interest in the Property; and
 - d) two well-known real estate firms have provided value estimates for the Property well in excess of the amount owing under the Laurentian Mortgage. Other real estate firms have expressed a similar perspective. Attached as Confidential Appendix “C” are the value summaries prepared by the real estate firms.

3.1 Administration Charge

1. Pursuant to the May 24th Order, the Court granted the Proposal Trustee, its counsel and the Companies’ counsel a charge (the “Administration Charge”) on the Companies’ business and assets. The charge is subordinate to Laurentian Mortgage and the Terra Firma Mortgage.

3.2 Proposal Trustee’s Recommendation

1. The Proposal Trustee recommends that the Court adjourn the Receivership Application until June 30, 2016 for the following reasons:
 - a) It will provide time to commence a sale process;
 - b) there appears to be considerable value in the Property after repayment of the Laurentian Mortgage;
 - c) the carrying costs on the Property are not significant;

- d) the market is expecting the Property to be marketed by KSV as Proposal Trustee given its broader mandate with Urbancorp as CCAA Monitor, as evidenced by the Letter of Intent and ongoing expressions of interest it receives concerning the Property, as outlined above. Introducing yet another Court-appointed officer into the process is likely to confuse the market;
 - e) appointing another court officer will add unnecessary professional costs which would be to the detriment of stakeholders ranking behind Laurentian;
 - f) Terra Firma has advised the Proposal Trustee that it consents to an adjournment of the receivership application until June 30, 2016; and
 - g) the Administration Charge ranks behind the Laurentian Mortgage and the Terra Firma Mortgage.
2. Based on the foregoing, the Proposal Trustee recommends that the Court adjourn the Receivership Application until June 30, 2016.

3.3 Confidential Appendices

1. The Proposal Trustee recommends that the Court issue an order sealing the confidential appendices as the release of the information in the confidential appendices may negatively impact realizations on the Property.
2. The Proposal Trustee is not aware of any party that will be prejudiced if the confidential appendices are sealed. Accordingly, the Proposal Trustee believes the proposed sealing order is appropriate in the circumstances.

4.0 Conclusion and Recommendation

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

* * *

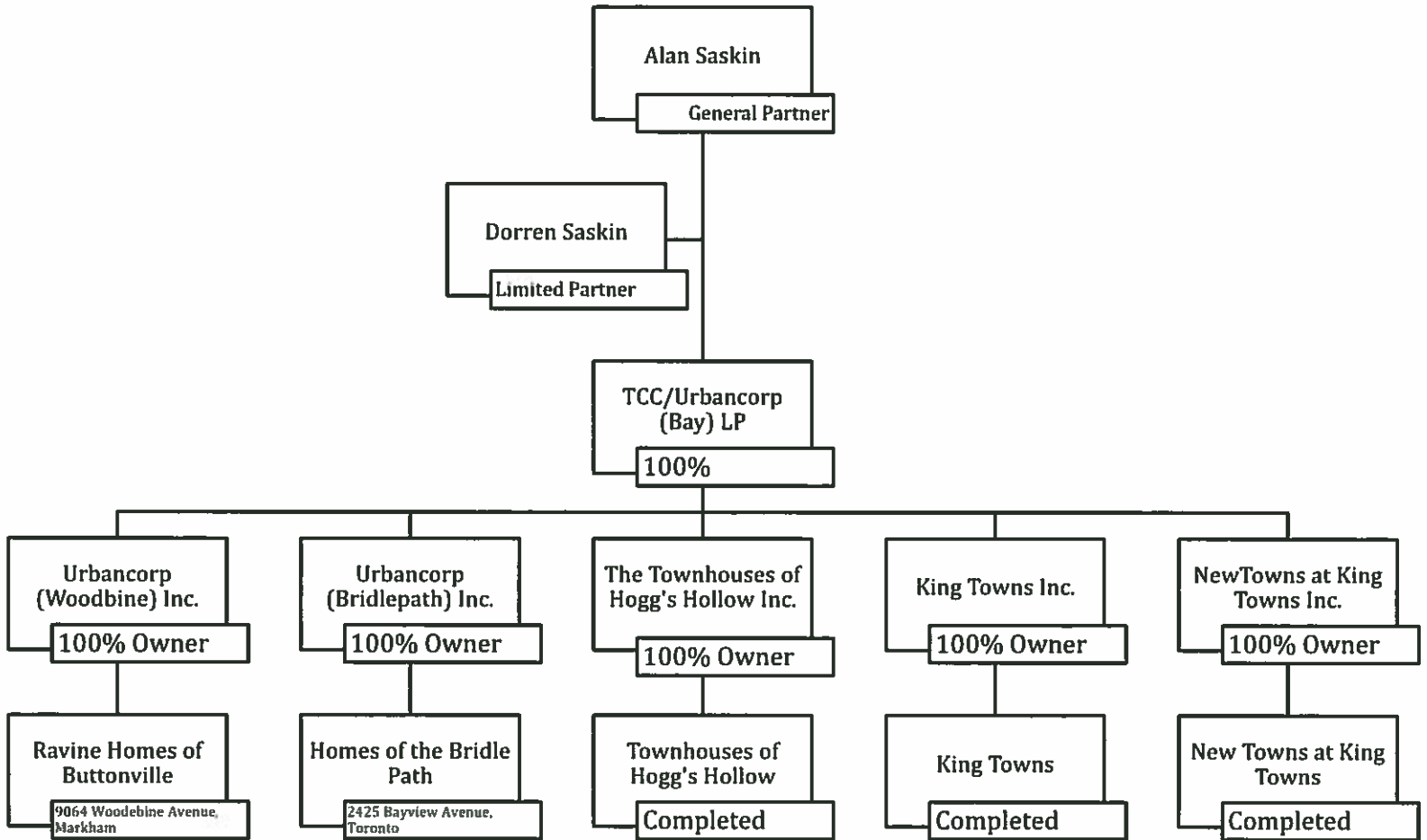
All of which is respectfully submitted,

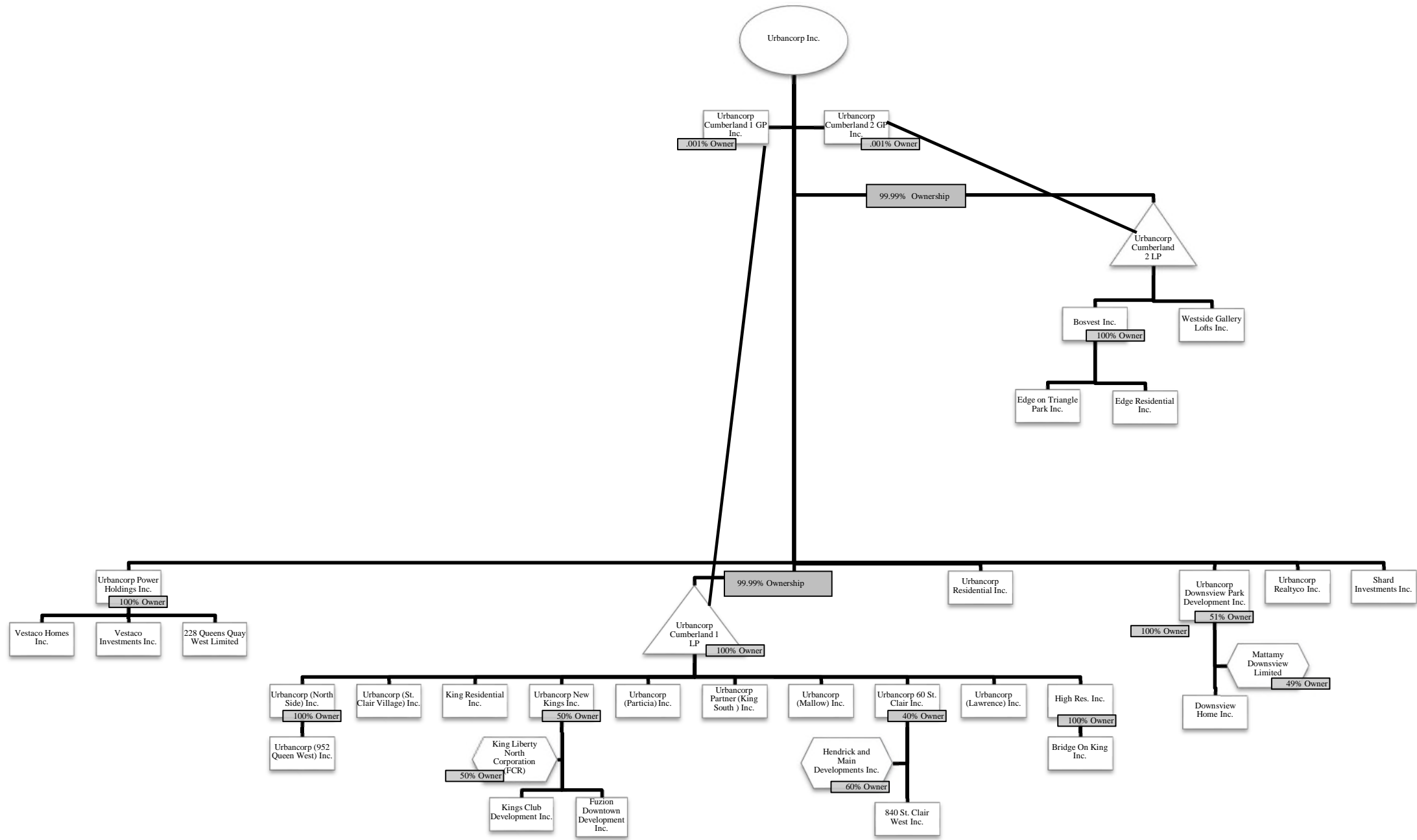


**KSV KOFMAN INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICES OF INTENTION TO MAKE A PROPOSAL OF
URBANCORP (WOODBINE) INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

TCC/URBANCORP (BAY) LP





Appendix “B”

Noah Goldstein

Subject: Urbancorp Woodbine

From: WEISZ, STEVEN [<mailto:STEVEN.WEISZ@blakes.com>]

Sent: May 19, 2016 3:00 PM

To: Edmond Lamek (elamek@blg.com) <elamek@blg.com>; Bobby Kofman <bkofman@ksvadvisory.com>

Cc: Krieger, Jonathan <Jonathan.Krieger@ca.gt.com>; MCGRAW, MICHAEL <MICHAEL.MCGRAW@blakes.com>

Subject: Urbancorp Woodbine

Edmond/Bobby,

I just received and reviewed the motion seeking an extension of the stay for Urbancorp (Woodbine) and the granting of an administrative charge over its property. Our client objects to that request and will be opposing the relief sought in respect of any priority charge in front of our client's interests. Grant Thornton Limited was appointed receiver by our client and we will be seeking the court appointment of Grant Thornton Limited over the property of Urbancorp(Woodbine) on Tuesday. Our materials will be delivered shortly. I hope we can discuss this matter and avoid unnecessary additional costs which will be added to our client's secured claim and erode the equity that might be available for unsecured claimants of Urbancorp (Woodbine). Please let me know when you would be available to discuss.

Thanks
Steve

Steven J. Weisz

Partner

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