



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

June 29, 2016

and

**Supplement to the Second Report to
Court of KSV Kofman Inc. as CCAA
Monitor of Urbancorp Toronto
Management Inc., Urbancorp (St. Clair
Village) Inc., Urbancorp (Patricia) Inc.,
Urbancorp (Mallow) Inc., Urbancorp
(Lawrence) Inc., Urbancorp Downsview
Park Development Inc., Urbancorp (952
Queen West) Inc., King Residential Inc.,
Urbancorp 60 St. Clair Inc., High Res.
Inc., Bridge On King Inc. and the
Affiliated Entities Listed in Schedule “A”
Hereto**

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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.

SUPPLEMENT TO THE THIRD REPORT OF KSV KOFMAN INC. AS PROPOSAL TRUSTEE

JUNE 29, 2016

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 SECOND REPORT OF KSV KOFMAN INC. AS CCAA
MONITOR

JUNE 29, 2016

1.0 Introduction

1. This report (the "Supplemental Report") supplements the second report of the Monitor dated June 24, 2016 filed in the CCAA proceedings of the Urbancorp CCAA Entities¹ and the third report of the Proposal Trustee dated June 23, 2016 filed in the NOI proceedings of Bridlepath and Woodbine.

2.0 Home Buyer Issues

1. In recent days, KSV has been made aware of the following:
 - a) a letter dated June 16, 2016 from Alex Oren, a home buyer of Lawrence, attached as Appendix "A" (the "Oren Letter");
 - b) a letter dated June 22, 2016 from Gloriana Field, a home buyer of Bridlepath, attached as Appendix "B" (the "Field Letter"); and
 - c) a meeting of home buyers held on June 27, 2016 at which lawyers from Dickinson Wright LLP ("Dickinson Wright") attended for the purposes of, *inter alia*, becoming home buyer representative counsel.
2. KSV has been responsive to all home buyer calls and communications throughout the CCAA and NOI proceedings, including corresponding with Mr. Oren at the outset of these proceedings and directing him to legal counsel.
3. KSV is concerned that home buyers may not appreciate the general objective of the CCAA and NOI proceedings, misinformation is spreading among home buyers and misleading comments are being attributed to KSV by certain home buyers. In response to these concerns:
 - a) A letter was sent from Davies Ward Phillips & Vineberg LLP ("Davies"), counsel to the Monitor and the Proposal Trustee to Dickinson Wright on June 24, 2016 responding to the Field Letter. Davies requested that the letter be shared with individuals who have entered into purchase agreements with Bridlepath. KSV has been advised that Dickinson Wright has not done so. A copy of Davies' letter is attached as Appendix "C";

¹ Defined terms in this Supplemental Report have the meanings provided to them in the referenced reports, unless otherwise defined herein.

- b) On June 29, 2016, KSV posted a notice to home buyers on its website at <http://www.ksvadvisory.com/insolvency-cases-2/urbancorp/> addressing issues that it understands to be of concern to home buyers (the "Notice"). KSV also provided a copy of the Notice to Dickinson Wright on June 29, 2016. A copy of the Notice is provided in Appendix "D"; and
 - c) KSV obtained a list of home buyers to determine the extent of Dickinson Wright's potential representation. A copy of the home buyers list is attached as Appendix "E".
4. The Davies letter and the Notice summarize, among other things, that if the values provided by realtors are achieved during the Sale Process, many of the home buyers will see a substantial recovery on their Deposits, and many could be repaid in full. Accordingly, KSV is of the view that the appointment of representative counsel funded by the Urbancorp CCAA Entities, Bridlepath and Woodbine is premature, as it will add additional cost, with no apparent benefit. Depending on the outcome of the Sale Process, the appointment of representative counsel may be appropriate at a later date.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC. IN ITS CAPACITIES
AS PROPOSAL TRUSTEE AND CCAA MONITOR
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”

The Honourable Frank J. C. Newbould

16-Jun-2016

Urbancorp Lawrence CCRA process

Dear sir

My name is Alex Oren. I am representing a group of home purchasers in the UC Lawrence project currently at CCRA process under your court supervision .

I am approaching you as we, the purchasers in the project , frustrated since we do not have any other way to be heard.

The Lawrence project is in considerably good financial shape as the \$4M debt it has (of which almost \$2.5M is to us , the purchasers) can be easily served by the land property , acquired in 2013 for \$11.5M

Unfortunately, we feel that resent decisions made by KSV , neglecting our rights and put at risk our 3 year old hopes to get our homes from UC:

1. From recent publication of KSV's "First report of Monitor" dated 09-Jun-2016 we have learned that the Monitor, KSV, received a proposal from a 3rd party builder (Mattamy) to engage in a Stalking Horse deal and to build the homes planned and down paid by the purchasers. KSV rejected this proposal despite KSV's own statement that "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."

2. KSV decided to use the land asset registered under UC Lawrence as a collateral for a risky loan of \$10M in order to subsidize the activities of the rest of the companies under the UC failed umbrella.

As a result , we feel that the small legal entity of UC Lawrence Inc. will have to carry on its back the rest of UC, something that we as creditors/purchasers did not provide our consent to. As creditors of the company, we feel we have a right to object to such loan and at least provide our consent with a deal that will promise us , eventually, getting our homes, from whatever builder will acquire the property.

We feel that KSV is not aiming to benefit all stakeholders and not to preserve goodwill, but to generate the most cash possible from selling the land properties providing the corrupt owner of UC with the excess funds that will remain after the liquidation, on the expense of the home buyers that provided their life savings and waited as long as 3 years for their promised homes, while lucking the funds for down payment on an alternative purchase in a market that was appreciated by more than 40% during that period.

We feel that approaching you, to help us get our homes and protect us from the law firm vultures dividing the company's leftovers , is the last straw we have as small citizens squeezed under the enormous wheels of bureaucratic processes , rather than being protected by court justice.

Respectfully


Alex Oren UC Lawrence purchasers

1 Emerald Lane , PH103

L4J 8N2, Vaughan , ON

416-660-9046

alxoren@yahoo.com

Appendix “B”

M E M O R A N D U M

To: Urbancorp Bridle Path Purchasers
From: Gloriana Field
Date: June 22, 2016
Re: Urbancorp | Homes of the Bridle Path Inc.

I am a purchaser of Unit 4 in the Urbancorp Bridle Path project and I am writing to you to ask if you would be interested in forming a group in order to fight for our deposits back in full.

I was shocked and distressed to learn that Urbancorp is insolvent and that not only may we never see our Bridlepath homes built, but most importantly, we would be potentially losing our deposit monies minus \$40,000 from insured Tarion funds.

We all received letters from KSV and I have called them twice and have received vague answers about the sale of the land and how much money the land would be worth today vs. the 2013 value that Urbancorp paid for it. Yet, I was told that as an unsecured creditor it was unlikely that I would see my full deposit money returned.

I am extremely upset and frustrated and decided to retain the services of Dickinson Wright LLP, more specifically Lisa Come and David Preger.

I read numerous articles about the disasters in other partially built Urbancorp projects and this firm is representing many purchasers already.

The more purchasers we can get from our project to band together with this firm, the more likely it will be that they can be appointed by the court as counsel for us and get their fees paid by Urbancorp. What they could do for us is to put purchasers' rights front and centre before the court, and fight for solutions which protect our interests.

Several purchasers are organizing a town hall meeting for all purchasers on Monday, June 27, 2016 at 7:30 p.m. at the Loblaws - Bayview Village, Cooking School/Community Room which is located in the grocery store on the 2nd floor. This would be an ideal time for us to meet and officially form a group. If you are unable to attend you can call me at or email me at gloryfield@aol.com.

If you want to speak to Lisa or David individually the firm's information is:

Dickinson Wright LLP
199 Bay Street, Suite 2200
Commerce Court West
Toronto ON M5L 1G4

MEMO: Urbancorp Bridle Path
Purchasers
DATE: June 22, 2016
PAGE: 2

Lisa Come
E: lcorn@dickinsonwright.com
P: 416.646.4608

David Preger
E: dpreger@dickinsonwright.com
P: 416.777.4606

You are not obligated to go with this firm, you can retain your own lawyers but there is strength in numbers if we do band together there will be more impact on the court to recognize our rights.

Regards,

Gloriana Field

/jss

Appendix “C”



155 Wellington Street West
Toronto ON M5V 3J7
dwpv.com

June 24, 2016

Jay A. Swartz
T 416.863.5520
jswartz@dwpv.com

File No. 256201

BY E-MAIL

Lisa Corne and David Preger
Dickinson Wright LLP
199 Bay Street, Suite 2200
Commerce Court West
Toronto, ON M5L 1G4

Dear Lisa and David:

Urbancorp (Bridlepath) Inc.

We are counsel to KSV Kofman Inc. ("KSV") in its capacities as Proposal Trustee of Urbancorp (Bridlepath) Inc. ("Bridlepath") and Urbancorp ("Woodbine") Inc. and Monitor of a number of related entities. We understand that you have been retained by an individual or individuals who have purchased units in the Bridlepath project, as well as, potentially, other projects being developed by certain of the entities for which KSV acts as Monitor.

We wish to clarify a number of apparent misunderstandings which are reflected in the correspondence sent by Gloriana Field to other purchasers of units at Bridlepath:

1. KSV has made no statements regarding the likelihood of deposit monies being returned in full or in part.
2. A motion will be brought shortly to approve a sale process during which the property owned by Bridlepath will be marketed to prospective purchasers. It is expected that the marketing will commence in early July. Based on the advice of realtors, it is anticipated that the process will yield recovery sufficient to repay the deposits. However, as you can appreciate, there will be no certainty in this regard until the process has been completed.
3. It is possible, but not certain, that some of the prospective purchasers may be willing to honour the contracts with your clients or at least return their deposits. Again, we will not know this until offers are received.
4. Information regarding the proceedings are available on the KSV Kofman website with respect to Bridlepath and Woodbine.

We would appreciate it if you would communicate this information to the individuals who have entered into purchase agreements with Bridlepath and, if possible, provide them with this letter and information regarding the Trustee's website.

Obviously, we are happy to talk to you and try to respond to any questions which you may have.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Jay Swartz".

Jay A. Swartz

JAS/kcc

cc Robert Kofman (*KSV Kofman Inc.*)
Noah Goldstein (*KSV Kofman Inc.*)

Appendix “D”



June 29, 2016

Notice to Home Purchasers

KSV Kofman Inc. ("KSV") is the monitor ("Monitor") in proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") involving several subsidiaries of Urbancorp Inc. (the "CCAA Companies"), including Urbancorp (Mallow) Inc., Urbancorp (Patricia) Inc., Urbancorp (St. Clair) Inc. ("St. Clair") and Urbancorp (Lawrence) Inc. ("Lawrence"), each of which is a former school board property (the "School Board Companies"). KSV is also the proposal trustee in the proceedings involving Urbancorp (Bridlepath) Inc. ("Bridlepath") and Urbancorp (Woodbine) Inc. ("Woodbine"). (The School Board Properties, Bridlepath and Woodbine are referred to as the "Companies".) KSV is an independent officer of the Court. KSV is not an agent of the Companies nor of the Urbancorp Inc. shareholders.

We have been made aware of concerns raised by home buyers of the Companies. This notice is intended to address those concerns.

Several individuals purchased homes which were to be developed by the Companies. Deposits were received from home buyers on each of these developments. The deposits were spent in advance of the commencement of these insolvency proceedings and each purchaser has claims against the entity on which it paid a deposit.

On June 30, 2016, the Ontario Superior Court of Justice (Commercial List) is to consider a motion by KSV to approve a sale process for the real property and projects owned by the Companies and a debtor-in-possession loan ("DIP Loan"). There is considerable interest from prospective purchasers in all of the Companies' properties. The sale process will generate proceeds that will be used to repay the Companies' creditors. Based on value estimates received by KSV from several realtors, creditors may have a significant recovery of their claims, including home buyers. KSV is aiming to complete the sale process by the end of September 2016, at which point it will have better visibility.

In the context of an insolvency process, funding is often raised through a DIP Loan. This money is used to maintain and protect the assets of the Companies and to fund the costs of the process. Of the School Board Companies, the properties owned by Lawrence and St. Clair are unencumbered (other than two construction liens for relatively small amounts) and, accordingly, it is easiest to raise funding for the proceedings by pledging their business and assets as collateral for the DIP Loan. Lawrence and St. Clair will make advances to other CCAA Companies on a similar court-ordered priority basis already approved by the Court, and the amounts loaned will be repaid by the receiving company when their assets are sold. Each of the Companies will ultimately be responsible for its own costs. The amount of the contemplated DIP Loan is not necessarily the amount that will be spent; however, the contemplated size of the DIP is more cost-effective than a lesser amount and provides a contingency for unexpected costs. Without the DIP Loan there could not be a sale process, meaning that there would be no ability to generate recoveries to repay creditors. All creditors, including home buyers, will be in a better position at the end of the sale process than they are today because of the liquidity created.

The DIP Loan cannot be used to fund Bridlepath and Woodbine as they are not part of the CCAA process. Funding required by those entities in the short term is not considered significant.

If you have questions concerning this notice please contact Noah Goldstein at ngoldstein@ksvadvisory.com or 416.932.6207.

A handwritten signature in black ink that reads "KSV Kofman Inc". The letters are cursive and somewhat stylized.

**KSV KOFMAN INC.
IN ITS CAPACITIES AS COURT-APPOINTED MONITOR
OF THE URBANCORP CCAA ENTITIES AND PROPOSAL TRUSTEE OF
URBANCORP (WOODBINE) INC. AND URBANCORP (BRIDLEPATH) INC.
AND NOT IN ITS PERSONAL CAPACITY**

Home Buyer Deposit Summary

	Number of Sales	Deposits
Bayview ¹	40	\$5,634,500
Woodbine ²	22	\$1,899,480
Subtotal	62	\$7,533,980
Caledonia	41	\$3,283,830
Lawrence	65	\$3,676,489
Mallow ³	17	\$1,375,920
Patricia	0	\$0
Subtotal	123	\$8,336,239
Total	185	\$15,870,219

Notes:

- Bayview today has 37 units. At time of sale there were 40 units.
- Prepared by Company representatives.

¹ The deposit amount on this project differs by about \$200,000 from the amount previously provided to KSV by employees of UTMI.

² The deposit amount on this project differs by about \$100,000 from the amount previously provided to KSV by employees of UTMI.

³ The deposit amount on this project differs by about \$200,000 from the amount previously provided to KSV by employees of UTMI.