



**First Report to Court of
KSV Kofman Inc. as Proposal
Trustee of Urbancorp Toronto
Management Inc., Urbancorp (St. Clair
Village) Inc., Urbancorp (Patricia) Inc.,
Urbancorp (Mallow) Inc., Urbancorp
(Lawrence) Inc. and Urbancorp
Downsview Park Development Inc.**

May 13, 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 NEW KINGS INC., URBANCORP 60 ST.
CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC. AND THE AFFILIATED
ENTITIES LISTED IN SCHEDULE "A" HERETO**

May 13, 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 Notices of Intention to Make a Proposal ("NOIs") filed by 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"). (Collectively, St. Clair, Patricia, Mallow, Downsview and Lawrence are referred to as the "Backup Companies" and the Back-Up Companies and UTMI are referred to as the "Companies".)
2. On April 21, 2016, each of the Companies filed separate NOIs (the "NOI Proceedings") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("BIA").
3. The principal purpose of the NOI Proceedings was to create a stabilized environment to allow the Companies the opportunity to consider their restructuring options, including development opportunities and/or selling some or all of the Properties (as defined below) through a court approved sale process.
4. The stay of proceedings under the NOI Proceedings expires on May 20, 2016.

5. The Backup Companies are direct or indirect wholly owned subsidiaries of Urbancorp Inc.
6. In order to effect a restructuring of the subsidiaries of Urbancorp Inc., it is proposed that each of the NOI Proceedings be continued under the *Companies' Creditors Arrangement Act* (the "CCAA"). In addition, certain affiliates of the Companies, Urbancorp (952 Queen West) Inc., King Residential Inc., Urbancorp New Kings Inc. ("UC New Kings"), Urbancorp 60 St. Clair Inc., High Res. Inc., and Bridge on King Inc. (collectively, the "Affiliates") also intend to file for CCAA protection. (For the purposes of this Report, the Companies and the Affiliates are referred to as the "Applicants".)
7. The Proposal Trustee also understands that the Applicants will seek to have the CCAA proceedings apply to certain other affiliated entities that are not Applicants as set out on Schedule "A" (the "Non-Applicant Entities") which include limited partnerships and solvent entities. (For the purposes of this Report, the Applicants and the Non-Applicant Entities are referred to as the "Filing Entities"). The Non-Applicant Entities and their stakeholders, assets (in many cases shares of Applicants), and intercompany payables and receivables in particular, form an integral part of the Group generally and, as such, the participation of Non-Applicant Entities is necessary in order to complete a restructuring.
8. Pursuant to a deed of trust (the "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.
9. Each of the Backup Companies is indebted to Urbancorp Inc. on a functionally subordinated, unsecured basis on account of funds they received from Urbancorp Inc. from the proceeds of the bond issuance, as well as in respect of certain other sundry amounts. Additionally, the Filing Entities are direct or indirect wholly owned subsidiaries of Urbancorp Inc., with the exception of UTMI, which provides management services to the Filing Entities.
10. The bondholders are represented by Reznik Paz Nevo Trusts Ltd., as trustee (the "Bond Trustee"). On April 25, 2016, the District Court in Tel Aviv Yafo (the "Tel Aviv Court") made a decision granting Guy Gissin (the "Functionary") certain powers, authority and responsibilities over Urbancorp Inc. on a preliminary basis (the "April 25th Decision"). Mr. Gissin is a lawyer with Gissin & Co., the law firm that represents the Bond Trustee.
11. The Proposal Trustee understands that the Functionary intends to bring an application under Part IV of the CCAA to recognize the proceedings initiated in Israel. KSV has consented to act as the Information Officer under the Part IV proceedings.

12. By initiating CCAA proceedings, an orderly restructuring focused on either selling the business and assets of the Filing Entities or considering development opportunities for their properties and projects, as the case may be, can be advanced on a stabilized basis for the benefit of all stakeholders, including holders of the Bonds and all other creditors.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Companies;
 - b) provide KSV's qualifications to act as Monitor;
 - c) discuss the rationale for continuing the NOI Proceedings under the CCAA and for filing the Affiliates and the Non-Applicant Entities for protection in the same CCAA proceeding;
 - d) discuss a protocol ("Protocol") established between the Functionary and KSV, as proposed Monitor ("Proposed Monitor");
 - e) report on the Filing Entities' consolidated cash flow projection for the period May 16, 2016 to July 1, 2016 ("Cash Flow Forecast");
 - f) apprise the Court of restructuring options, including:
 - i. development opportunities; and
 - ii. a sale process for some or all of the Properties; and
 - g) recommend that the Court make an order ("Initial Order") which, *inter alia*:
 - i. continues the NOI Proceedings under the CCAA;
 - ii. grants CCAA protection to the Filing Entities;
 - iii. grants the Proposed Monitor enhanced powers, including authority over the business and operations of the Filing Entities;
 - iv. grants a priority charge in the amount of \$2.9 million ranking equally:
 - in favour of Urbancorp (King South) Inc. ("King South"), on the business and assets of those Filing Entities that receive advances from King South; and
 - in favour of the Filing Entities with cash balances ("Cash Balance Applicants"), on the business and assets of those Filing Entities that receive advances from the Cash Balance Applicants;

- v. approving an administration charge in the amount of \$750,000 and directors' charge in the amount of \$300,000; and
- vi. approving the Protocol.

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 of the Filing Entities, the books and records of the Filing Entities and discussions with representatives of the Filing Entities, including lawyers and accountants. The Proposal Trustee has not performed an audit or other verification of such information. An examination of the Filing Entities' financial forecasts 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 Filing Entities' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The financial information discussed herein is preliminary and remains subject to further review. The Proposal Trustee has not performed a review of inter-company transactions.

1.4 KSV's Qualifications to Act as Monitor

1. KSV is qualified to act as monitor. KSV's qualifications include the following:
 - a) KSV is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA; and
 - b) KSV has extensive experience acting as a monitor under the CCAA in a wide variety of industries. KSV has extensive experience with distressed real estate companies.
2. KSV has consented to act as monitor in these proceedings should the Court grant the Initial Order. A copy of the consent is attached as Appendix "A".

2.0 Executive Summary

1. The Companies, together with numerous other entities, 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 assets. The geothermal assets use "green technology" to provide heating and cooling to residential developments. A condensed organization chart for the Group is provided in Appendix "B".

2. The ultimate shareholders of the Group are Alan Saskin and members of his family.
3. Urbancorp Inc. was incorporated on June 19, 2015. Pursuant to the Deed of Trust, Urbancorp Inc. issued the Bonds. The Bonds traded on the TASE. Urbancorp Inc. is alleged to have defaulted on the Bonds and trading in the Bonds has been suspended by the TASE.
4. On April 21, 2016, the NOI Proceedings commenced. KSV is the Proposal Trustee in each of these proceedings.
5. On April 24, 2016, the Bond Trustee brought an urgent application in the Tel Aviv Court to obtain certain powers and authority over Urbancorp Inc. The Tel Aviv Court issued a ruling and advised that it would consider at a hearing it scheduled for the following day the relief sought at the April 24th hearing. Pursuant to the April 25th Decision, the Tel Aviv Court issued a decision granting the Functionary certain interim powers and responsibilities. A copy of the April 25th Decision is provided in Appendix "C".
6. The majority of the Bond proceeds were advanced from Urbancorp Inc. to each of the Backup Companies. Each of the Backup Companies is obligated to repay Urbancorp Inc. in December of 2019 the amounts it received from Urbancorp Inc. in respect of the Bonds. Prior to that time, the Backup Companies are required to repay such amounts after all other obligations to other creditors of those entities have been fully satisfied. Each of the Backup Companies appears to have used the Bond proceeds it received from Urbancorp Inc. to repay amounts it owed to secured creditors.
7. In addition to their obligations to Urbancorp Inc., certain of the Companies have significant secured liabilities and unsecured debt; certain of the Backup Companies have also received deposits on home purchases.
8. Since the commencement of its involvement with the Group on April 20, 2016, the Proposal Trustee and its legal counsel, Davies Ward Philips & Vineberg LLP ("Davies"), have been working to understand the issues that gave rise to the Group's financial distress, the background of the business, the status of the Group's projects and the financial position of the Group. The Proposal Trustee has also been considering restructuring opportunities, as well as funding options for these proceedings. In regard to restructuring options, discussions are advancing with a significant Canadian real estate developer. Subject to feedback from stakeholders, including the Functionary, the development opportunity may provide the underpinning for a restructuring of the Filing Entities.
9. The Proposal Trustee and Davies have been in contact with substantially all major stakeholders, including Goodmans LLP ("Goodmans"), Canadian legal counsel to the Functionary, legal counsel for several major secured lenders, legal counsel to Tarion Warranty Corporation ("Tarion") and legal counsel to several of the Group's joint venture and development partners.

10. The Proposal Trustee is continuing to work with Goodmans and with counsel to the other key stakeholders to put in place an orderly restructuring process. A significant number of parties have contacted the Proposal Trustee to advise of their interest in many of the Companies' projects.
11. The Proposal Trustee has negotiated the Protocol with the Functionary. The Protocol addresses, *inter alia*, the sharing of information between the Functionary and the Proposed Monitor, as well as the manner in which the Functionary and the Proposed Monitor will work with one another concerning the restructuring process. A copy of the Protocol is provided in Appendix "D".
12. In order to move these proceedings forward expediently, the Proposal Trustee drafted materials to solicit proposals from brokers to market for sale certain of the properties and projects, should that be necessary. Subject to considering the viability of development opportunities, a sale process will be developed. Any sale process will be subject to the Court's approval. Consistent with the terms of the Protocol, the Proposed Monitor will consult regarding the restructuring process with the Functionary and other stakeholders.
13. Prior to the NOI Proceedings, Urbancorp Inc. had a cash balance of \$1.9 million, which monies it was holding in trust for a subsidiary, King South. The Proposal Trustee was advised that these monies were generated from the sale of King South's interest in a project and which were deposited in a Canadian bank account of Urbancorp Inc. because King South does not have its own bank account. Shortly before the commencement of the NOI Proceedings, King South directed Urbancorp Inc. to wire these monies to a trust account of the Proposal Trustee ("Trust Account") in order to fund the business and operations of the Companies during the NOI Proceedings, as well as professional costs. In addition to these monies, there is approximately a further \$873,000 in the bank accounts of the Cash Balance Applicants. Until a debtor-in-possession ("DIP") facility can be put in place, it will be necessary to have the Trust Account and Cash Balance Applicants monies loaned among the Filing Entities based on their requirements. It is intended that such loans will be secured by a first ranking interest on the business and assets of the entity that receives the money, subject to any pre-existing valid third party security interests and lien claims.
14. The Filing Entities will require funding beyond the Group's cash balances. Accordingly, it will be necessary to source DIP financing. The Proposal Trustee has prepared materials to solicit offers for DIP financing; several parties have expressed an interest in being a DIP lender. Court approval will be sought for the selected DIP financing proposal.
15. The Companies' business has been stabilized as a result of the NOI filings, key stakeholders have been engaged in the process through discussions and communications with the Proposal Trustee and its counsel, and progress has been made regarding restructuring options.

16. Due to concerns related to the issuance of the Bonds, and in order to address stakeholder concerns regarding the management of the Filing Entities, it is contemplated that the Proposed Monitor be provided with enhanced powers, including in respect of operational and restructuring decisions. The current management of the Filing Entities acknowledges the concerns and has agreed to these enhanced powers for the Proposed Monitor in order to facilitate a restructuring.
17. Continuing the NOI Proceedings under the CCAA will address, *inter alia*, the administrative challenges of multiple NOI filings, as well as the automatic bankruptcy that would result if the NOI Proceedings are not completed within six months of their commencement. It also provides a single construct for the restructuring of the Filing Entities.

3.0 Background

1. This section of the Report primarily discusses the business of the Companies. A discussion of the balance of the Filing Entities is provided in the Affidavit of Alan Saskin sworn May 13, 2016, which is attached to the Filing Entities' CCAA Application materials.
2. The Group is a real estate development business which commenced operations in 1991. The Group also owns rental properties and the geothermal assets. Mr. Saskin and members of his family are the ultimate shareholders of the Group.
3. The table below provides a summary of the properties for which the Backup Companies are the registered owner on title (the "Properties").

Company	Address of Property	Date Purchased
St. Clair	19 Innes Avenue, 177 Caledonia Road	August 1, 2013
Patricia	425 Patricia Avenue	August 27, 2014
Downsview	2995 Keele Street	June 4, 2015
Lawrence	1780 Lawrence Avenue West	August 29, 2013
Mallow	15 Mallow Road	August 28, 2014

4. The Properties were purchased to develop residential projects (the "Projects"). A summary of the status of each of the Projects is provided below.

Company	Project Description	Current Status	Home Purchase Deposits Received
St. Clair	41 residential townhomes	Raw land	Yes
Patricia	35 low-rise residential units	Raw land	No
Downsview	1,136 residential units	Construction has commenced	Yes
Lawrence	88 low rise residential units	Raw land	Yes
Mallow	39 low rise residential units	Raw land	Yes

5. The Proposal Trustee understands that the Backup Companies pre-sold freehold homes for the St. Clair, Lawrence and Mallow projects and collected deposits totalling \$8.6 million related thereto (the "Deposits"). The Backup Companies are not required to hold deposits in trust on freehold homes. The Proposal Trustee understands that these monies have been spent.
6. Deposits have also been received from purchasers on the Downsview project. The Downsview project is a joint venture between Downsview (51%), and a subsidiary of Mattamy Homes ("Mattamy") (49%). This project is under construction. These deposits do not appear to be at risk.
7. UTMI provides back-office support for the Group, including human resources and accounting. As at April 26, 2016, UTMI employed approximately 40 individuals; it is the sole employer in the Group. UTMI's workforce is not unionized and it does not maintain a pension plan. UTMI is not a subsidiary of Urbancorp Inc. UTMI requires CCAA protection as it provides back office support to the Group and because of its significant liabilities.

3.1 Secured Creditors

1. The table below summarizes the Companies' secured obligations.

Borrower	Lender	Security	Amount (\$)
Mallow	Atrium Mortgage Investment Corporation ("AMIC") and Terra Firma Capital Corporation ("TFCC")	15 Mallow Rd.	3,700,000
Patricia	AMIC	425 Patricia Ave.	3,683,905
			<u>7,383,905</u>

2. In addition to the amounts reflected in the table above:
 - a) Downsview Homes Inc., which is 51% owned by Downsview, has a secured obligation of approximately \$44 million owing to Parc Downsview Park Inc.; and
 - b) A construction lien has been registered by MDF Mechanical Ltd. in the amount of \$24,521 on the property owned by Lawrence.

3.2 Unsecured Creditors

3.2.1 Bonds

1. The Bonds are obligations of Urbancorp Inc. The table below provides a summary of the use of the Bond proceeds, including the amounts advanced from Urbancorp Inc. to each of the Companies.

(Unaudited, \$000)		
Total proceeds		64,268
Less:		
Underwriter's fee		2,251
Professional fees (Israel)		988
Interest and Expense Cushion		3,015
Advances from Urbancorp Inc. to:		
Lawrence	8,577	
St. Clair	7,689	
Mallow	9,759	
Patricia	9,881	
Downsview	10,095	
Total loans		46,001
Transfers to Urbancorp Inc.'s Canadian bank account		12,013
Net Balance		-

2. In addition to the advances summarized in the table, an additional \$12 million was transferred to Urbancorp Inc.'s Canadian bank account, of which approximately \$8 million was used to repay secured loans owing by Urbancorp Inc.'s other subsidiaries and approximately \$4 million appears to have been used for general working capital purposes¹.
3. Each of the Backup Companies entered into loan agreements with Urbancorp Inc. in respect of the Bond advances made to them from Urbancorp Inc. The loan agreements set out that these advances are unsecured and functionally subordinated to other obligations of the Backup Companies. The loan agreements require the Backup Companies to make interest payments to Urbancorp Inc. at interest rates identical to those stipulated on the Bonds, and require these entities to repay the principal amounts to Urbancorp Inc. a few days prior to the maturity date of the Bonds.

¹ Subject to further review.

4. The Bonds are repayable in five unequal installments on December 31, 2017, June 30, 2018, December 31, 2018, June 30, 2019 and December 31, 2019. The annual interest rate is 8.15%, subject to adjustment, payable semi-annually on June 30 and December 31. The next interest payment is due on June 30, 2016. Pursuant to the terms of the Deed of Trust, approximately \$3 million of the IPO proceeds were transferred to an Israeli-based bank account pledged in favour of the Bond Trustee to pay the June 30, 2016 interest payment. The obligations under the Bonds are to be paid in Israeli currency.
5. On April 21, 2016, trading of the Bonds was suspended on the TASE.
6. On April 24, 2016, the Bond Trustee made an application to the Tel Aviv Court seeking the appointment of Mr. Gissin. Mr. Gissin was appointed Functionary on a preliminary basis pursuant to the April 25th Decision.

3.2.2 Other Unsecured Creditors

1. The following table provides a summary of the amounts owing to the Companies' third party creditors as at April 21, 2016.

Company	Amount (\$)
St. Clair	3,754,381
Patricia	96,452
Downsview	254,527
Lawrence	4,193,334
Mallow	2,282,553
UTMI	1,358,317
Total	11,939,564

2. The Companies' unsecured third-party obligations include approximately \$8.6 million in Deposits. The remaining obligations appear to relate to general operating expenses, including professional fees, employee claims, utilities and construction services.
3. The creditors' lists for each of the Companies also reflect significant intercompany transactions. In the normal course, the Companies appear to have advanced monies from one entity to another based on cash balances and cash requirements².

² These transactions have not been reviewed by the Proposal Trustee.

3.3 Events Leading to the NOI Filings

1. The Projects require significant capital in order to be developed. The Group is in need of funding and will be unable to generate positive cash flow until the Projects are advanced. The cash balances of the Filing Entities are insufficient to meet their obligations in the normal course. There are substantial amounts owing to creditors.
2. There are numerous non-Applicants in the Group (which are not direct or indirect subsidiaries of Urbancorp Inc.) which are also facing liquidity and solvency issues, which diverts focus from the Projects. In several of the entities, creditors have initiated enforcement proceedings, including in Urbancorp (Woodbine) Inc. and Urbancorp (Bridlepath) Inc. KSV is the proposal trustee of those entities. In addition, Bosvest Inc., Edge Residential Inc., Edge on Triangle Park Inc. (the “Edge Entities”) and Mr. Saskin have each filed an NOI with the Fuller Landau Group Inc., as proposal trustee, and are not part of these proceedings³.
3. Tarion provides warranties on new homes in Ontario for registered builders. On March 31, 2016, Tarion issued a notice of proposal to revoke registration of 17 of the Group’s entities (the “Tarion Decision”), including all registrations of the Companies, as a result of concerns about the Group’s financial position and the high number of warranty claims made against entities within the Group. The Group has since appealed the Tarion Decision for 11 of the 17 entities and allowed six to expire.
4. As a result of issues related to the Bonds, Urbancorp Inc.’s Israeli auditors, Israeli legal counsel and its Israeli Board of Directors resigned prior to the commencement of the NOI Proceedings. On April 21, 2016, trading of the Bonds was suspended on the TASE by Israeli regulators, the Israel Securities Authority. Contemporaneously, the Bond Trustee took steps against Urbancorp Inc. in the Tel Aviv Court.
5. As a result of all of the foregoing, Mr. Saskin determined it was necessary to commence the NOI Proceedings in order to provide the Companies with an opportunity to stabilize their businesses and to commence an orderly restructuring process for the benefit of all stakeholders.
6. Due to concerns related to the issuance of the Bonds, and in order to address stakeholder concerns regarding the management of the Filing Entities, the Filing Entities are of the view that it is appropriate that the Proposed Monitor be provided with enhanced powers. The Initial Order authorizes the Proposed Monitor to make all decisions in respect of the business in place of Mr. Saskin, who the Proposed Monitor understands is the sole director of each of the Filing Entities. Mr. Saskin will remain a director of the Filing Entities during the proceedings, but will not have decision making authority with respect to the business.

³ The beneficial owner of the assets of the Edge Entities and Westside Galleries Lofts Inc. (“Westside”) is Cumberland LP 2 (“LP2”). The general partner of LP2 is Cumberland GP 2 Inc. (“GP2”). The Edge Entities are titleholder nominees for LP2. None of the Edge Entities, Westside, GP2 or LP2 will be Filing Entities. NOI proceedings are contemplated for Westside and LP2 and GP2.

4.0 Cash Flow Forecast

1. The Filing Entities have prepared a consolidated cash flow for the period May 16, 2016 to July 1, 2016 (the "Period"). The Cash Flow Forecast and the Filing Entities' statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "E".
2. On April 21, 2016, shortly prior to the NOI filings, King South transferred \$1.9 million to the Trust Account pursuant to a direction King South provided to Urbancorp Inc. The Proposal Trustee has been advised that these monies were on deposit in an Urbancorp Inc. bank account in Canada because King South did not have its own bank account.
3. Until DIP financing can be arranged, it is contemplated that the monies in the Trust Account and the monies in the bank accounts of the Cash Balance Applicants are to be advanced to the Filing Entities to fund their operations and the professional costs associated with these proceedings. Absent use of these monies, there would be no money available to fund these proceedings, which would require the immediate termination of all employees, which would be detrimental to value preservation.
4. The Group has managed its cash flow tightly since the NOI Proceedings commenced, with the principal use of cash being payroll. To-date, payroll has been funded (by UTMI) through advances to UTMI by Patricia. Its cash balance as at the date of this Report was approximately \$353,000.
5. As of the date of this Report, the Trust Accounts have not been drawn upon. The Filing Entities are seeking Court-ordered secured charges on the business and assets of the Filing Entities that have received monies from, or will receive monies from, the Cash Balance Applicants, including Patricia, and/or the Trust Account, subject only to the Administration Charge, as contemplated in the Initial Order (the "Interim Lender's Charge"). The lending charges are also to rank behind any pre-existing valid third party security interests and lien claims.
6. As part of the Protocol, upon being able to draw on the contemplated DIP loan, a DIP loan is to be made available by King South to Urbancorp Inc. to assist to fund the Canadian expenses of the Functionary, including Goodmans' and the Information Officer's fees and expenses. The advances by King South to Urbancorp Inc. are to be subject to a first charge on Urbancorp Inc. in favour of King South. It is expected that these advances will be repaid from distributions from the Companies to Urbancorp Inc., which distributions are to be generated through the restructuring process. Approval of this DIP loan is to be sought in the anticipated Part IV proceedings.

7. Provided the Court issues the Initial Order and approves funding on the basis described above, the Filing Entities are projected to have sufficient liquidity during the Period to fund their business and professional costs. Thereafter, funding will be needed for operating expenses and restructuring costs. Accordingly, DIP financing will be required and it is contemplated that a process will be undertaken by the Proposed Monitor to solicit DIP proposals. The anticipated DIP solicitation process is discussed in the following section.
8. Based on the Proposal Trustee's review of the Cash Flow Forecast, there are no material assumptions which seem unreasonable in these circumstances. The Proposed Monitor's statutory report on the cash flow is attached as Appendix "F".

5.0 DIP Financing Process

1. Pursuant to the Companies' books and records, certain of the properties are unencumbered or have equity beyond their secured encumbrances. It is believed that these properties have significant value.
2. The Proposed Monitor intends to send a letter to parties detailing the opportunity to provide DIP financing ("Solicitation Letter"). Attached to the Solicitation Letter will be: (i) a confidentiality agreement ("CA"); and (ii) a form of term sheet to be used by interested financiers to submit their bids. Parties that sign a CA will be granted access to financial and other information. The Proposal Trustee has drafted a term sheet, which is intended to be used as the structure for submitting DIP proposals.
3. The following criteria, as well as other criteria, will be considered in respect of the DIP proposals:
 - a) committed amount;
 - b) term;
 - c) interest rate and fees; and
 - d) conditions.
4. The terms of the successful bidder will subject to Court approval.

6.0 Request for Proposals from Real Estate Brokers

1. The Proposed Monitor also intends to solicit proposals from real estate brokers to act as listing agents to sell some or all of the Properties. This process is subject to determining the attributes of, and support for, a development opportunity presently being considered by the Proposal Trustee and the Companies. The Proposed Monitor intends to discuss the development opportunity with key stakeholders, including the Functionary.
2. The Proposed Monitor intends to solicit interest from realtors who have experience in selling similar development properties.

3. Listing proposals will be evaluated based on, *inter alia*, the following criteria:
 - a) marketing plan;
 - b) brokers' reach;
 - c) qualifications of the individuals to be assigned to the project;
 - d) compensation structure; and
 - e) other factors as determined by the Proposed Monitor.
4. Once a broker is selected, the Proposed Monitor intends to work with the broker to develop a sale process. The terms of the sale process, including the retention of a real estate broker, will be subject to Court approval.

7.0 Enhanced Monitor's Powers

1. The proposed Initial Order provides the Proposed Monitor with powers beyond those typically provided to a monitor in CCAA proceedings, including control of the cash management system, authority over operational decision making and responsibility for setting the direction of the restructuring process generally.
2. For the reasons detailed in Section 10 below, Mr. Saskin will continue to serve as a Director of the Filing Entities.
3. The enhanced powers are intended to address stakeholder concerns in the process, including those raised by the Functionary.

8.0 Protocol

1. The Protocol establishes:
 - a) the framework for cooperation and communication between the Functionary and the Proposed Monitor, as well as between the Functionary and the Information Officer;
 - b) the manner in which the Functionary is to have input in the CCAA restructuring process;
 - c) the manner in which information will be exchanged between the Functionary and the Proposed Monitor in the CCAA proceedings, and the Functionary and the Information Officer in the proposed Part IV proceedings;
 - d) that the Proposed Monitor will have enhanced powers in the Initial Order; and
 - e) a process to provide funding to Urbancorp Inc. to pay certain of its costs in Canada, including some of Goodmans' fees and the fees of the Information Officer.

2. The Proposal Trustee believes that the Protocol facilitates the transparent administration of these restructuring proceedings, which should facilitate overall recoveries and build confidence among stakeholders. Accordingly, the Proposal Trustee recommends that the Court approve the Protocol.

9.0 Administration Charge

1. The Filing Entities are seeking an Administration Charge in the amount of \$750,000. The Administration Charge is to have priority over all claims against the Filing Entities, provided that the Initial Order will not operate to subordinate the interests of a secured creditor until it has been given notice of the CCAA proceedings and have had an opportunity to respond. The beneficiaries of the Administration Charge are legal counsel to the Filing Entities, the Proposed Monitor and its legal counsel and other advisors (the "Professionals").
2. An administration charge is a customary provision in an Initial Order in a CCAA proceeding; it is required by the professionals engaged to assist a debtor company. The Administration Charge will allow the Filing Entities to grant security to the Professionals for their fees and services.
3. The Proposal Trustee is of the view that the Administration Charge is reasonable.

10.0 Director's Charge

1. The Initial Order includes a Director's Charge in the amount of \$300,000 for any liabilities the Filing Entities' director and officer may incur from and after the commencement of the CCAA proceedings, except to the extent that such obligation or liability is incurred as a result of the director's or officer's gross negligence or wilful misconduct.
2. Mr. Saskin is the sole director of the Filing Entities.
3. The Proposal Trustee understands that the Filing Entities are current, and expect to remain current, on all payments for which directors may be personally liable; however, the proposed charge provides a contingency in the event that certain obligations arise during the CCAA proceedings for which the Filing Entities lack liquidity.
4. In these proceedings, the main risk of director exposure is unpaid payroll. Payroll presently totals approximately \$150,000 per pay period (every two weeks). The Director's Charge is intended to cover one month's payroll exposure.
5. The Filing Entities do not presently have a directors' and officers' insurance policy.

6. The Director's Charge is also a standard provision of orders made in CCAA proceedings in order to maintain the involvement of directors and officers. As the sole director of each of the Filing Entities, Mr. Saskin is required to stay on as a director. Additionally, Mr. Saskin has knowledge of the Projects and relationships with developers and stakeholders that are likely to provide assistance in the restructuring process.
7. The Proposal Trustee is of the view that the Director's Charge is reasonable.

11.0 Ranking of Charges

1. It is proposed that the Court ordered charges will rank against the Property of the Filing Entities subordinate to existing secured creditors and lienholders, save and except any security that may exist in respect of obligations owing by the Filing Entities to the Bond Trustee which shall be subordinate to the Charges. The priorities of the Charges as among one another will be as follows:
 - a) First - Administration Charge;
 - b) Second – Interim Lender's Charge and Intercompany Lender Charges, *pari passu*; and
 - c) Third – Director's Charge.

12.0 Creditor Notification

1. The proposed Initial Order requires the Proposed Monitor to:
 - a) publish a notice in national edition of *The Globe and Mail* containing the information prescribed under the CCAA without delay; and
 - b) within five days of the issuance of the Initial Order to:
 - i. make the Order publicly available in the manner prescribed under the CCAA;
 - ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Filing Entities of more than \$1,000 advising them that the order is publicly available; and
 - iii. prepare a list, showing the names and addresses of those creditors, and the estimated amounts of those claims, and make it publicly available in the prescribed manner.
2. If appointed, the Proposed Monitor will also post the Initial Order on its website at:
<http://www.ksvadvisory.com/insolvency-cases-2/urbancorp/>

13.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (g) 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 TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC.,
URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP
DOWNSVIEW PARK DEVELOPMENT INC., AND URBANCORP (LAWRENCE) INC.,
AND NOT IN ITS PERSONAL CAPACITY**

Schedule “A”

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.

Appendix “A”

**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 NEW KINGS INC., URBANCORP 60 ST. CLAIR INC.,
HIGH RES. INC., BRIDGE ON KING INC., AND THE AFFILIATED
ENTITIES LISTED IN SCHEDULE "A" HERETO**


Applicants

CONSENT

The undersigned, KSV Kofman Inc., hereby consents to act as the Court-appointed monitor of each of Urbancorp Toronto Management Inc., Urbancorp Downsview Park Development Inc., Urbancorp (St. Clair Village) Inc., Urbancorp (Patricia) Inc., Urbancorp (Mallow) Inc., Urbancorp (Lawrence) Inc., Urbancorp (952 Queen West) Inc., King Residential Inc., Urbancorp New Kings Inc., Urbancorp 60 St. Clair Inc., High Res. Inc., Bridge on King Inc. and the affiliated entities listed in Schedule "A" hereto pursuant to the terms of an order substantially in the form filed in the above proceeding.

May 13, 2016

KSV KOFMAN INC.

By: 
Robert Kofman
President

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.

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 NEW KINGS INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC., AND THE AFFILIATED ENTITIES LISTED IN SCHEDULE "A" HERETO

Applicants

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDINGS COMMENCED AT TORONTO

CONSENT

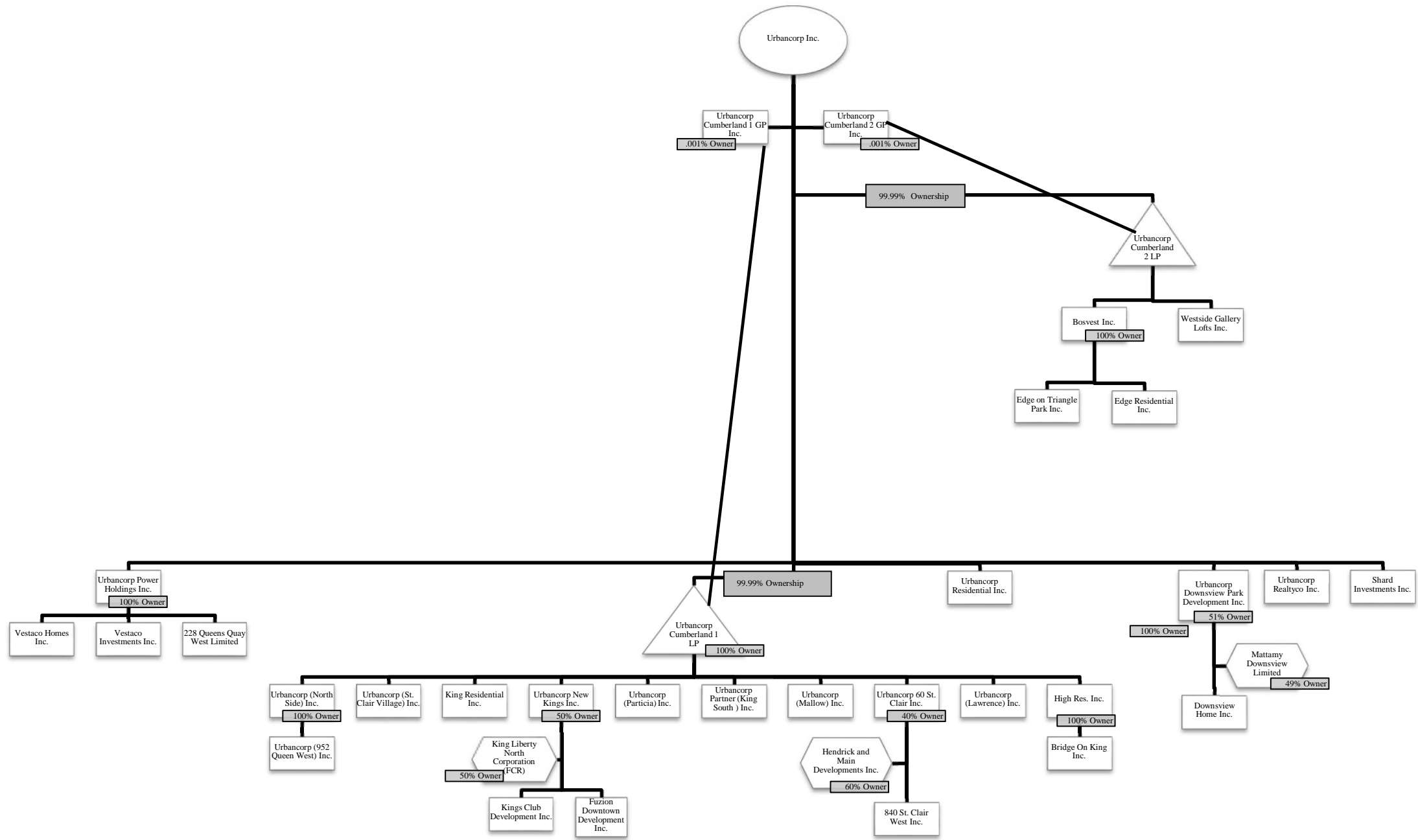
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Lawyers for the Applicants

Appendix “B”



Appendix “C”

25/04/2016



The District Court in Tel-Aviv – Yafo

Liquidation File 44348-04-16 Reznik Paz Nevo Trusts Ltd. Vs. Urbancorp Inc.

Before the Honorable Justice Eitan Orenstein, Vice President

On the matter of: the Companies Act, 5759-1999

And on the matter of: the Companies Regulations (Request for Compromise or Arrangement), 5762-2002

And on the matter of: Article 350 of the Companies Act, 5759-1999

**And on the matter of: Reznik Paz Nevo Trusts Ltd.
Trustee of holders of bonds (class A) of the company
By its representatives: Yoel Freilich, Adv., Yael Herschkowitz,
Adv., Inbar Hakmian-Nahari, Adv., and Evgeniya Gluchman,
Adv.**

The Applicant

**And on the matter of: Urbancorp Inc.
By its representative: Gad Ticho, Adv.**

The Company

**And on the matter of: the Official Receiver
By its representative: Roni Hirschenzon, Adv.**

Decision

General

1. Before me is an urgent request for the provision of temporary reliefs and for the appointment of a functionary in Urbancorp Inc. (hereinafter: “**the Company**”), pursuant to Regulation 14(a) of the Companies Regulations ((Request for Compromise or Arrangement), 5762-2002 (hereinafter: “**the Arrangement Regulations**”) and Article 350 of the Companies Act, 5759-1999 (hereinafter: “**the Companies Act**”).

Summary of the Facts

2. The Company incorporated in Canada and it is registered in the county of Ontario. Its main occupation is leasing and initiating real-estate for residential and commercial purposes at the location of its incorporation. The Company operates geothermal systems in several of its projects, which are used for providing heating and cooling for the

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The District Court in Tel-Aviv – Yafo

Liquidation File 44348-04-16 Reznik Paz Nevo Trusts Ltd. Vs. Urbancorp Inc.

Before the Honorable Justice Eitan Orenstein, Vice President

properties, while using green energy. It is in the control of Mr. Alan Saskin, a citizen of Canada and a resident thereof (hereinafter: “**the Controlling Party**”).

In December 2015 the Company has raised bonds from the Israeli public, amounting to approximately 180 million ILS, with an interest of 8.15%. The bonds was raised pursuant to a prospectus dated 30/11/2015 and later completions thereof, and were registered for trade at the Tel-Aviv Stock Exchange. It shall be stated that Midroog Ltd. Has granted the bonds a rating of A3, a medium-high rank. The underwriter of the issuance was Apex Issuances Ltd., the prospectus was drafted by Shimonov & Co. Law Firm, and the Deloitte firm Brightman, Almagor, Zohar & Co., Accountants. The trustee for the holders of bonds is Reznik Paz Nevo Trusts Ltd., which has submitted the application (hereinafter: “**the Trustee**”).

The consideration of the issuance was intended to serve for shareholders’ loan for the Company’s subsidiaries which are also incorporated in Canada (hereinafter: “**the Subsidiaries**”) and for providing equity for paying off loans in their various projects, as specified in the bill of trust, as well as for the payment of taxes.

The application states that during the months following the issuance, there has been a severe deterioration in the Company’s financial state and in its capability to sustain itself, which is the result of a number of events, when according to the Applicant it is impossible to rule out that the share of those had already been known prior to the issuance, but they have not been reported. The outcome was that all Company directors, apart from the Controlling Party, have resigned; the Company’s trade in securities has ceased; the ranking has ceased, and more. In light of the foregoing, there has been very intensive contact with the Controlling Party, who was supposed to sign a Stand-Still document, and has asked to delay the taking of actions against the Company. Nevertheless, the Trustee was surprised to find out that the Subsidiaries, which excess cash flows were supposed to serve the debt for the holders of bonds, have recently begun an insolvency proceeding in Canada, and a trustee on behalf of the court there has been appointed to them.

The Request

3. The Trustee points in his request, to a series of severe failures in the Company’s conduct, which also constitute a breach of the bill of trust, and give rise to a cause for providing the debt for immediate repayment and taking proceedings against the Company. For this

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Before the Honorable Justice Eitan Orenstein, Vice President

matter, it has been claimed that it is necessary to immediately intervene in the Company's businesses by appointing a functionary, who shall be granted the authorities of the Company's directorate; who shall exercise the Company's power of control in its Subsidiaries; who shall examine the insolvency proceedings taken by the Subsidiaries; who shall negotiate with the trustee appointed to them; who shall act to obtain all required information pertaining to raising the capital; who shall formulate a recovery plan for the Company, inasmuch as it shall be possible; and who shall enter the Company's premises and its offices and shall seize its assets, including accounts and financial deposits.

4. The request was submitted on 24/04/2016, during the Passover recess, and I have instructed holding an urgent discussion today in the presence of the Company, its former functionaries who provide services to it, the Israeli Securities Authority, the Official Receiver and more. In my decision from yesterday, an order for the prohibition of disposition was also granted, according to which the Company and anyone on its behalf is prevented from making any transaction, of any sort and type whatsoever, with its property.

The Court Discussion

5. The following were present at the discussion: the Trustee and its representatives; the representative of the recently resigned Company directors; the Company's former legal consultants; the representative of the Tel-Aviv Stock Exchange and members of its legal department; the representative of the Official Receiver, as well as Gad Ticho, Adv., on behalf of the Company, who has notified that he had taken on representing the Company the previous evening.

The Trustee's representative, Yoel Freilich, Adv., has repeated the request during the discussion, and has emphasized the need for granting the urgent reliefs. He clarified that the Trustee has engaged with a law firm in Canada, which shall assist the functionary, should he be appointed, in fulfilling his position; that there is no conflict of interests for the intended functionary, and more.

According to the Company's representative, its client does not object to leaving the order of prohibition of disposition effective, however it does not see the need for appointing a functionary and for granting the requested authorities, and it objects to the identity of the suggested functionary due to conflict of interests. In addition, the Company's

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representative has claimed that there is no need for the drastic requested reliefs, that the Company should be given leave to submit a proper response, that in any case a meeting of the holders of bonds is scheduled for 01/05/2016 – in which the meeting shall decide with regards to continuing the proceeding – and that no irreversible damage shall occur should the order not be granted.

The representative of the Official Receiver holds the opinion that the state of the Company justifies granting a relief against it, similar to other cases in which the court has instructed appointing a functionary, even if it is for a limited period of time, until the situation is clarified.

Discussion and Ruling

6. We are dealing with a request which was submitted urgently during the Passover recess, and which requires an urgent decision, therefore I shall suffice with a brief reasoning.

The Rule

The request, by nature, is a request for temporary relief, and prior to submitting the primary proceeding. Therefore, it should be examined by the rules used for temporary reliefs, namely, does the Applicant meet the test of *prima facie* reliable evidence in the cause of the action as well as the balance of convenience test, and as set in the Civil Procedure Regulations, 5744-1984 and in rulings, when between the two there is a “parallelogram of forces” (see Civil Leave of Appeal 2174/13 **D.K. Shops for Rent in Herzlia HaTze’ira Ltd. Vs. Avraham Cohen & Co. Contracting Company Ltd.** (published on the website of the Judicial Authority, 19/04/2016).

I shall emphasize, that under the circumstances of the request before me, when the primary relief has not yet been requested, the court is required to take extra precautions when ruling on a request for temporary relief, especially given the drastic temporary reliefs requested therein.

The request is accompanying to a primary proceeding which the Trustee is intending to submit pursuant to the provisions of Article 350 of the Companies Act, which deals with an arrangement between a company and its creditors, a proceeding which, according to the word of the law, can also be taken by a creditor of the company, in addition to the company itself, or a participant or a liquidator. As is known, it is possible to appeal for

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temporary reliefs even before beginning the primary proceeding, provided that the applicant has met the required conditions stated above.

Another basis for the request, as mentioned, is Regulation 14(a) of the Arrangement Regulations, which authorizes the court to appoint a functionary when discussing a request for arrangement in accordance with Article 350 of the Companies Act, saying:

“To appoint a functionary, who shall have all authorities and duties which shall be determined by the court, including managing the company or supervising its management, keeping its assets, as well as examining claims of debt and claims for amending the registry of shareholders in the method specified in Chapter C; the court shall appoint a functionary once it was convinced that the candidate is suitable for the position due to his skills or his experience in formulating compromise arrangements or an arrangement[...].”

From the General to the Specific

7. Viewing the statements of claim and their appendixes paints a grim picture, to say the least, of the state of the Company.

On the surface it appears that it is failing to meet the conditions of the bill of trust, in a way which gives rise to a cause for providing the debt for immediate repayment. For this matter, I shall list the breaches, each of which is sufficient to give rise to the stated cause, let alone when put together: the trade in the Company’s bonds has been stopped; the Company’s rating by Midroog Ltd. has also been stopped; all of the Company’s Israeli directors have resigned, as well as its legal consultants and its internal auditor;

And severe failures in the Company’s activity have been found, as specified in the report it submitted pertaining to its financial data, dated 20/04/2016. Amongst those: a loss of 15 million Canadian Dollars compared with the current activity in the last quarter of 2015; a decrease in the value of the right of the Controlling Party assigned to the Company to receive loans from corporations in his control, thus from an estimated value of approximately eight million Dollars, the value is expected to drop to an insignificant amount; concern that the Company shall decrease the value of the geothermal assets at a total ranging between four and six million Canadian Dollars. The end of the report even

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states that it is possible that the Company's state is far worse and that its losses shall be high.

Another event teaching of failures in the Company which should be stated, is the decision of the Canadian Home Organization Trion dated 04/04/2016, to not extend the Company's license, namely, the Company is not entitled to continue its activity of initiating and selling planned projects.

This is joined by the fact stated above, that the Subsidiaries have recently begun a stay of proceedings in Canada, as part of which a trustee was appointed to them. The Company and the Controlling Party have not brought this important fact to the knowledge of the Trustee, let alone given details pertaining to the proceeding taken, its significance, its implication of the Company and such.

The conclusion drawn from the stated above is that there is total uncertainty with regards to the Company's financial state, its equity, its capability of sustaining itself, and concern for the fate of the investments made by the holders of bonds. Another conclusion is that there is a substantial lack of information pertaining to the occurrences in the Company, and the Trustee is forced to seek in the dark, all when there is concern for the fate of the Company and its assets, including with regards to the occurrences in the Subsidiaries and their assets, which have enjoyed the monies of capital raised by the holders of bonds.

In my opinion, the stated above is sufficient basis for appointing a functionary to the Company, who shall be authorized to receive all information pertaining to the Company, its activity, its property and its rights, including the Subsidiaries and the proceedings conducted in Canada. Simultaneously, the functionary shall be able to track the Company's property, to locate it, to seize it and to prevent making irreversible actions. I shall add that obtaining the information shall also enable making an educated decision regarding taking appropriate proceedings with regards to the Company, to minimize damages and to redirect, as much as possible, the monies which would be could be paid to the holders of bonds.

Needless to say, the Company is in the twilight zone of insolvency, when there is concern for its fate and for the fate of the monies of investors, unless urgent actions are taken. As stated by the representative of the Official Receiver, the court discussing insolvency has a wide range of reliefs at its disposal, which also apply to a situation where the Company is in the twilight zone of insolvency. In this regard I shall refer to a recent ruling by the

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Supreme Court, as said by the Honorable Justice E. Hayut in Civil Appeal 3791/15 *Synergy Cables vs. Hever*, paragraph 8 (published on the website of the Judicial Authority on 19/04/2016):

The District Court has not ruled pursuant to which legal authority it appoints the respondent, but as rightfully stated by the respondent, reality shows that there are cases [...] where the court appoints functionaries in proceedings in which the corporation is in the “zone of insolvency”, even prior to issuing an order for stay of proceedings or for the liquidation of the company (compare, for example: Liquidation File (Tel-Aviv) 36681-04-13 *Hermetic Trusts (1975) Ltd. vs. IDB Development Ltd.* (30/04/2013), in which the District Court in Tel-Aviv (Justice E. Orenstein) has decided to appoint a functionary who was defined as an “observer” for the company, while relying for this purpose of the wide authority granted to him in accordance with Regulation 14(a)(1) of the Companies Regulations [...]

(Emphasis not in the original – E.O.)

This rule also applies to the matter before us.

In my opinion, the circumstances of the case meet the tests required for granting a temporary relief. For this matter, the Company has allegedly breached its undertakings towards the holders of bonds in a way which grants the holders of bonds the right to provide the debt for immediate repayment, and to claim the reliefs due as a result thereof. I shall add that the balance of convenience also leans towards granting the temporary relief. In this context, I shall state that according to the Company’s representative, these days a substantial transaction is to be executed, of selling the Company’s property, which should provide it with a substantial amount of money; it is not improbable that the consideration shall not be given to the holders of bonds, despite the order of prohibition of disposition, in the absence of practical capability for enforcement, thus causing irreversible damage. Therefore, only a functionary who could also track the stated transaction, could possibly prevent irreversible damage to the holders of bonds.

This conclusion is emphasized noticing the recent problematic conduct of the Controlling Party. As is evident in the request, he has failed to disclose to the Trustee during contacts

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conducted these days that the Subsidiaries intend on taking the proceeding of insolvency as they have done.

In fact, the Company has no management core, whereas all directors, apart from the Controlling Party, have resigned, it has no internal auditor, and even the legal consultants have terminated their engagement with it. In this state of affairs, the Company is given to the good will of the Controlling Party, and in light of the problems I have pointed pertaining to him, and in the absence of supervision on his conduct, it would be best to appoint a factor who shall take the Company's reigns and shall supervise the occurrences in the Company at least until the picture is clarified.

I have not ignored the claim made by the Company's representative regarding the damage which could be caused to the Company due to appointing the functionary, but I have not seen that it leads to a different conclusion. I believe that the weight of the reasons I have specified above, exceeds by far the concern raised by Advocate Ticho in this regard. In any case, it is possible to find the required balance between guaranteeing the Company's conduct and the argued damage, by limiting the authorities which shall be granted to the Trustee and the period of time in which he shall be appointed. I shall emphasize that the concern raised by Advocate Ticho, which, according to him, may be a result of appointing a temporary liquidator to the Company, can be abated by not appointing a temporary liquidator, which has not even been requested.

I have also answered the argument made by Advocate Ticho regarding the conflict of interest in which the offered functionary is allegedly in, due to him representing the Trustee. I have not found this argument sufficient reason for not appointing Advocate Gissin, and I shall clarify: Gissin & Co. Law Firm has accepted the representation of the Trustee only recently, as Advocate Freilich has said in the discussion. The firm has not represented the Trustee in the process of preparing the prospectus, its publication and the issuance of the bonds, nor in the following period, but only following the Company's getting into trouble. Therefore, it is impossible to say that he is involved in proceedings preceding this request. In addition, should it be found out in the future, that there is a conflict of interest, the argument shall be made before the court and shall be examined by itself, and the argument shall not prevent the appointment at the preliminary stage we are in.



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8. To complete the picture I shall state that there is no dispute regarding the authority of the court in Israel to grant the requested relief. In this context, I shall refer to the various documents attached by the Trustee to the request, including the prospectus and the bill of trust, which state that the Company acknowledges the authority of the court in Israel to grant the reliefs (see clause 34 of the bill). In addition, I shall state that Article 39a of the Securities Law, 5728-1968, which applies to the prospectus, rules that the provisions of the Companies Act shall apply to any foreign company which has issued securities. Needless to say, the authority of the court to discuss the request is also pursuant to the court ruling given in a case with similar circumstances, and I shall refer to Civil Appeal 2706/11 **Sybil Germany Public Co. Limited vs. Hermetic Trusts (1975) Ltd.** (published on the website of the Judicial Authority on 04/09/2015).

9. In light of the foregoing I hereby instruct as follows:

I appoint Advocate Gissin as functionary in Urbancorp Inc. and grant him the authority to exercise the Company's authorities, for all following actions:

- ♣ To locate, to track and to seize all Company assets, of any sort and type whatsoever, including its monies and rights in the Subsidiaries;
- ♣ To exercise the Company's power of control in the Subsidiaries;
- ♣ To obtain all information, of any sort and type whatsoever, pertaining to the Company's activity, its property and its rights; the same applies to the Subsidiaries;
- ♣ To negotiate with the Subsidiaries' trustee, and for this purpose, to also approach the Canadian court as an authorized representative of the Company;
- ♣ To track the Company's activities prior to the prospectus and thereafter.

For the purpose of exercising these authorities, the functionary is hereby authorized to appear in the Company's name before any body, authority or person in Israel and abroad; to obtain any information whatsoever from any of the Company's factors, from the Controlling Parties, from the authorities and from any person who has provided or is providing services for the Company; and to obtain from them all documents he believes shall be required for fulfilling his position.

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The functionary shall be authorized to formulate an initial outline of a creditors' arrangement.

The functionary shall approach the court if necessary, and shall request its permission to exercise Company authorities not expressly specified in the decision.

For the avoidance of doubt: the functionary is not authorized to realize the Company's property.

A condition for the appointment is the functionary depositing a personal bond at a total of 250,000 ILS.

The functionary shall do all that he can for obtaining the required information in the coming days, so that it can be presented, as much as possible, before the meeting of holders of bonds set for next Sunday, 01/05/2016.

At this point I set the appointment until 22/05/2016 or as shall be otherwise decided.

A first report of the functionary's actions shall be submitted by 08/05/2016.

The case has been set for discussion **for 22/05/2016 at 11:30.**

The secretariat shall notify the decision by telephone and shall also send it by fax.

Given today, 17 Nisan 5776 (25th of April 2016), *ex parte*.

A handwritten signature in black ink, appearing to read 'Eitan Orenstein', written over a horizontal line.

Eitan Orenstein, Justice
Vice President

Appendix “D”

PROTOCOL
For Co-operation Among Canadian Court Officer and Israeli Functionary

BETWEEN:

GUY GISSIN , in his capacity
as Functionary Officer appointed by
the Israeli Court for Urbancorp Inc.

- and -

KSV KOFMAN INC., in its capacity
as proposal trustee and proposed monitor
of certain subsidiaries of Urbancorp Inc.

WHEREAS KSV Kofman Inc. ("**KSV**") was appointed the proposal trustee in respect of each of Urbancorp (Lawrence) Inc., Urbancorp (Mallow) Inc., Urbancorp (Patricia) Inc., Urbancorp (St. Clair Village) Inc., Urbancorp Downsview Park Development Inc. and Urbancorp Toronto Management Inc. (the "**Initial Subsidiaries**"), in notice of intention filings made by each of the Initial Subsidiaries under the *Bankruptcy and Insolvency Act* ("**BIA**") on April 21, 2016 (the "**Proposal Proceedings**");

AND WHEREAS Guy Gissin was appointed as Functionary Officer on a preliminary basis (the "**Israeli Parentco Officer**") of Urbancorp Inc. ("**Parentco**"), the parent of the Initial Subsidiaries, by order of the District Court in Tel Aviv-Yafo (the "**Israeli Court**") dated April 25, 2016 (the "**Israeli Functionary Order**") in case number 44348-04-16 *Reznik Paz Nevo Trusts Ltd. Vs. Urbancorp Inc.* (the "**Israeli Proceedings**");

AND WHEREAS it is anticipated that, with the exception of Bosvest Inc., Edge Residential Inc. and Edge on Triangle Park Inc., which are in separate BIA proposal proceedings with the Fuller Landau Group Inc. as proposal trustee, and Urbancorp Cumberland GP 2 Inc., Urbancorp Cumberland 2 LP and Westside Gallery Lofts Inc. (the "**Excluded Subsidiaries**"), all of the direct and indirect subsidiaries of Urbancorp Inc. (collectively, excluding the Excluded Subsidiaries, the "**Applicants**") will bring an application in the Ontario Superior Court of Justice – Commercial List (the "**Canadian Court**") for relief pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**") wherein the Proposal Proceedings will be taken up and continued within the CCAA Proceedings;

AND WHEREAS it is anticipated that the Israeli Parentco Officer will seek to have the Israeli Functionary Order and its role as the Israeli Parentco Officer recognized by the Canadian Court for the purpose of representing the interests of Parentco and participating as a stakeholder representative in the Applicants' CCAA Proceedings in connection with protecting the interests of Parentco's creditors, including the holders of the bonds issued on the Tel Aviv Stock Exchange (the "**Parentco Bonds**") pursuant to a deed of trust dated December 7, 2015 (the "**Parentco Bond Indenture**");

AND WHEREAS KSV and the Israeli Parentco Officer have agreed to work cooperatively on the terms set out herein to attempt to maximize recoveries through an orderly process for the stakeholders of Parentco and the Applicants (collectively, the "**Urbancorp Group**");

NOW THEREFORE, the Israeli Parentco Officer and KSV agree to implement the following protocol to cooperate with each other to maximize recoveries for the stakeholders of the Urbancorp Group:

1. The Israeli Parentco Officer will file an application under Part IV of the *Companies' Creditors Arrangement Act* ("CCAA"), seeking recognition of the Israeli Proceedings and of his appointment as foreign representative of Parentco thereunder, such application to seek recognition of the Israeli Proceedings as the "foreign main proceeding" with respect to Parentco. That application will include a request to appoint KSV as the Information Officer with respect to the Part IV CCAA proceedings of Parentco (the "**Part IV Proceedings**").
2. The Applicants will commence the CCAA Proceedings, proposing KSV to be appointed as Monitor with augmented powers so as to control ordinary course management and receipts and disbursements of funds for the Applicants. KSV acknowledges that the Israeli Parentco Officer shall have standing to appear before the Canadian Court as the representative of Parentco in the CCAA Proceedings.
3. The Israeli Parentco Officer and KSV agree that, with respect to the CCAA Proceedings:
 - (a) KSV shall provide the Israeli Parentco Officer with regular and timely information updates regarding the ongoing status of the CCAA Proceedings as they unfold. KSV will also provide information and updates to the Israeli Parentco Officer prior to the commencement of the CCAA Proceedings;
 - (b) The Israeli Parentco Officer shall provide KSV with at least three business days' prior notice (including full materials, translated into English) of any proceeding, motion or action it takes in the Israeli Court that will negatively impact the Applicants or the CCAA Proceedings. The Israeli Parentco Officer will also provide information and updates to KSV prior to the commencement of the CCAA Proceedings;
 - (c) KSV shall provide the Israeli Parentco Officer with at least three business days' prior notice (including full materials, translated into English) of any proceeding, motion or action it takes in the Canadian Court that will negatively impact the Urbancorp Inc. or the Israeli Proceedings. KSV will also provide information and updates to Israeli Parentco Officer prior to the commencement of the CCAA Proceedings;
 - (d) KSV shall provide to the Israeli Parentco Officer copies of all information pertaining to the Applicants:
 - (i) in KSV's possession that KSV considers material; or

- (ii) as reasonably requested by the Israeli Parentco Officer,

provided that KSV, in good faith, is not of the view that such information is subject to privilege or confidentiality restrictions. If KSV is of the view that such information is subject to privilege or confidentiality restrictions, then KSV shall so inform the Israeli Parentco Officer and shall seek directions from the Canadian Court on notice to the affected parties in the CCAA Proceedings as to whether there are any restrictions which would prevent the disclosure of such information to the Israeli Parentco Officer.

- (e) The Israeli Parentco Officer shall provide to KSV, in its capacity as the Information Officer of Parentco in the Part IV Proceedings, copies of all information pertaining to the Israeli Proceedings:

- (i) in the Israeli Parentco Officer's possession that it considers material to the Israeli Proceedings and is not subject to privilege or confidentiality restrictions; or

- (ii) as reasonably requested by KSV, provided that this shall not entitle KSV or any party requesting information through them to receive information on ongoing reviews or investigations being undertaken by the Israeli Parentco Officer or others in connection with the Israeli Proceedings; and

- (f) KSV will run an orderly dual track sale and restructuring process with respect to the Applicants, subject to approval by the Canadian Court in the CCAA Proceedings, which will consider both development opportunities and opportunities to sell the properties of the Applicants. KSV will design such process collaboratively, with the Israeli Parentco Officer, with the understanding that at any time during the pendency of the sales process, should an offer come forward with respect to any or all of the Applicants contemplating a restructuring or other option which is acceptable to both KSV and the Israeli Parentco Officer, the sale process may be truncated in order to pursue the other option with respect to the Applicant(s) in question. Alternatively, should the sale process continue to the point of submission of bids, subject to Section 4(b) below, copies of all bids will be provided to the Israeli Parentco Officer by KSV, and KSV shall discuss same with the Israeli Parentco Officer, with the objective, but not the obligation, of hopefully concurring on the course of action to be followed in terms of which bids to continue negotiating or which bid(s) to select as the successful bidder(s). KSV acknowledges that, throughout these processes, the Israeli Parentco Officer may from time to time require instructions and/or directions from the Israeli Court, and that the process shall be conducted in a fashion to permit the Israeli Parentco Officer the opportunity to do so on a timeframe consistent with the urgency of the circumstances then in question. The Israeli Parentco Officer and KSV agree that, in the event there is a disagreement between the Israeli Parentco Officer and KSV as to the working out of the sale and restructuring process, whether it be in terms of selecting an alternative option to a sale (including, without limitation, pursuing any development opportunities), determining which bids to proceed to negotiate further, or seeking approval of a particular sale from

the Canadian Court supervising the CCAA Proceedings, the ultimate decision and course of action shall be determined by the Canadian Court on application by KSV for directions and provided that the Israeli Parentco Officer shall have standing as representative of Parentco to make full representations to the Canadian Court as to his views and recommendations.

- (g) The initial order made in the CCAA Proceedings concerning all of the Applicants shall contain the following paragraph pertaining to material or non-ordinary course decisions or disbursements:

THIS COURT ORDERS that the Applicants shall not, without further order of this Court: (a) make any disbursement out of the ordinary course of its Business exceeding in the aggregate \$100,000 in any calendar month; or (b) engage in any material activity or transaction not otherwise in the ordinary course of its Business.

In the event that such paragraph is not included in the initial order for the Applicants or any of them, then any such disbursement or other material activity or transaction shall not be made without the order of the Canadian Court.

4. The Israeli Parentco Officer and KSV further agree to cooperate as follows:
- (a) to the extent practicable, each shall share with the other copies of materials to be filed with their respective courts (but not drafts of any such materials), prior to the public filing of same. This provision may not apply to materials submitted in the course of seeking directions from the Canadian Court in the event of a disagreement between the Israeli Parentco Officer and KSV over the working-out of the sale process; and
 - (b) The Israeli Parentco Officer agrees that any information provided to him by KSV in the course of the sale process or concerning any restructuring alternatives, shall remain confidential and not be disclosed to any party without KSV's consent, not to be unreasonably withheld, it being acknowledged that the Israeli Parentco Officer shall be entitled to provide information to its advisors (provided they agree to be bound by the confidentiality restrictions detailed herein) and to both the Israeli Court and the Official Receiver of the Israeli Ministry of Justice, in each case on a sealed and private basis to obtain directions as needed, or as may be set forth in the Non-Disclosure Agreement executed by the Israeli Parentco Officer on May 11, 2016.
5. The Israeli Parentco Officer and KSV acknowledge that, at present, KSV has the amount of CDN\$1.9 million in a trust account, which funds KSV received from Urbancorp Partner (King South) Inc. ("UPKSI"), and which funds KSV has proposed to utilize as a form of interim funding for certain costs of the CCAA Proceedings, to be secured by a priming charge in favour of UPKSI against the assets of the entities utilizing the funds. KSV acknowledges that it will seek to obtain, as soon as possible, a general purpose DIP loan from third party sources and sufficient to repay amounts borrowed from UPKSI, using what are otherwise unencumbered assets of the Applicants (the "**DIP Loan**").

Upon being able to draw sufficient funds under the DIP Loan (which DIP Loan subject to the approval of the Canadian Court), KSV agrees that it will repay to UPKSI the interim loan made to that date in the preceding sentence from the DIP Loan and that it will, as the court-appointed monitor of UPKSI and subject to Court approval in the Part IV Proceedings, make available funds from that CDN\$1.9 million as an interim loan from UPKSI to Urbancorp Inc., to be secured by a priming DIP charge against the assets of Urbancorp Inc., to assist in the funding of the costs of the Part IV Proceedings including the reasonable costs incurred by the Israeli Parentco Officer in connection with the Part IV Proceedings, the reasonable fees and disbursements of the Israeli Parentco Officer's Canadian counsel and the Information Officer and its counsel.

6. The Israeli Parentco Officer shall support the commencement of the CCAA Proceedings. Provided that KSV is acting in good faith and has not engaged in willful misconduct or gross negligence, the Israeli Parentco Officer shall not take any steps to attempt to remove KSV as either the proposal trustee under the Proposal Proceedings or the monitor under the CCAA Proceedings or to in any way to interfere with or seek to limit KSV's powers in such capacities or to suggest that KSV must take instruction from it or the Israeli Court or terminate the CCAA Proceedings without the consent of KSV or by order of the Canadian Court. Nothing herein shall be deemed to grant any additional claims, rights, security or priority to, or in respect of, the Parentco Bonds or to the trustee under the Parentco Bond Indenture or to the Israeli Parentco Officer as against the Applicants or any affiliate or direct or indirect subsidiary of Parentco. In the event of any restriction or termination of the Israeli Parentco Officer's powers by the Israeli Court, this Protocol shall be deemed to be modified accordingly such that the Israeli Parentco Officer's powers and authority hereunder are no greater than those given to him by the Israeli Court.
7. This Protocol shall be governed by laws of Ontario and the laws of Canada as applicable and all disputes or requests for direction in connection with this Protocol shall be determined by the Canadian Court. Nothing herein is or shall be deemed to be an attachment by KSV to the Israeli Court or the laws of Israel.
8. The Israeli Court Officer and KSV agree to use reasonable efforts to seek to commence the proceedings noted above on or before May 18, 2016. KSV shall support, to the extent necessary, an application by the Israeli Parentco Officer to commence the Part IV Proceedings, on terms consistent with this Protocol, even if commenced before the CCAA Proceedings.

****THE REMAINDER OF THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK****

9. This Agreement is subject to the approval of the Israeli Court and the Canadian Court.

DATED this _____ day of May, 2016.

Name of Witness:



Name: **GUY GISSIN**, the Israeli Parentco
Officer

**KSV KOFMAN INC. in its capacity
as proposal trustee and proposed monitor
of certain subsidiaries of Urbancorp Inc.,
and not in its personal capacity**

By:

Name: Robert Kofman
Title: President

Appendix “E”

Urbancorp Filing Entities Listed on Schedule "A"

Projected Statement of Cash Flow ¹

For the Period Ending July 1, 2016

(Unaudited; \$C)

	Note	Week Ending						Total	
		20-May-16	27-May-16	03-Jun-16	10-Jun-16	17-Jun-16	24-Jun-16		01-Jul-16
<i>Total Receipts</i>	2	-	-	33,069	-	-	-	31,419	64,488
<i>Disbursements</i>									
Wages and salaries	3	-	-	117,075	-	103,867	-	103,867	324,809
Source deductions, WSIB and benefits		-	-	21,680	-	19,512	-	19,512	60,704
Rent and occupancy costs	4	-	-	535	-	-	-	1,342	1,877
Office and general	5	942	942	2,742	808	808	808	1,708	8,758
Telephone and internet		-	3,300	712	-	-	2,950	712	7,674
Hydro		-	1,750	8,598	-	-	1,750	8,598	20,696
IT consulting fees		-	1,000	-	-	-	1,000	-	2,000
Consulting fees	6	10,750	10,750	10,750	10,750	10,750	10,750	10,750	75,250
Site maintenance costs	7	6,577	6,577	23,647	6,577	6,577	6,577	27,932	84,464
Property taxes	8	-	-	-	-	-	-	15,422	15,422
Insurance	9	-	-	-	-	-	-	42,024	42,024
Earthworks	10	10,000	-	80,000	140,000	140,000	140,000	125,806	635,806
Contingency		25,000	25,000	25,000	25,000	25,000	25,000	25,000	175,000
<i>Total Operating Disbursements</i>		53,269	49,319	290,739	183,135	306,514	188,835	382,673	1,454,484
<i>Net Cash Flow Before the Undernoted</i>		(53,269)	(49,319)	(257,670)	(183,135)	(306,514)	(188,835)	(351,254)	(1,389,996)
Accrued and unpaid NOI professional fees	11	-	175,000	-	-	-	-	-	175,000
Professional fees re: restructuring	12	200,000	150,000	150,000	125,000	100,000	100,000	150,000	975,000
<i>Net Cash Flow</i>		(253,269)	(374,319)	(407,670)	(308,135)	(406,514)	(288,835)	(501,254)	(2,539,996)
Opening cash balance	13	873,480	620,211	245,892	-	-	-	-	873,480
Net cash flow	14	(253,269)	(374,319)	(245,892)	-	-	-	-	(873,480)
Closing cash balance		620,211	245,892	-	-	-	-	-	-
Opening Trust Account balance		1,900,000	1,900,000	1,900,000	1,738,222	1,430,087	1,023,573	734,738	1,900,000
Trust Account advances	14	-	-	(161,778)	(308,135)	(406,514)	(288,835)	(501,254)	(1,666,516)
Closing Turst Account balance		1,900,000	1,900,000	1,738,222	1,430,087	1,023,573	734,738	233,484	233,484

Urbancorp Filing Entities Listed on Schedule "A"
Notes to Projected Statement of Cash Flow
For the Period Ending July 1, 2016
(Unaudited; \$C)

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the entities listed on Schedule "A" ("Filing Entities") for the period May 16, 2016 to July 1, 2016 ("Period") in respect of its its proceedings pursuant to the *Companies' Creditors Arrangement Act*.

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions developed and prepared by the Filing Entities.

Hypothetical and Most Probable Assumptions

2. Represents rental income earned from condominiums owned by the Filing Entities.
3. Payroll is paid bi-monthly.
4. Represents rent, parking and storage costs. Rent is not payable until July, 2016.
5. Represents office supplies, postage and office cleaning costs.
6. Includes fees for municipal lawyers, architects, municipal planners, civil engineers, environmental engineers, landscape architects and traffic consultants.
7. Includes costs for fence rental, daily inspection, minor housekeeping, the removal of garbage, yard maintenance and general repairs.
8. Represents property tax installments due to the City of Toronto.
9. Represents annual insurance premiums.
10. Represents land development costs.
11. Represents payment of professional fees accrued in respect of the NOI proceedings, net of amounts paid from retainers. No professional fees have been paid to-date.
12. The professional fees are in respect of the Monitor, its legal counsel and legal counsel to the Filing Entities. Professional fees are estimated and the allocation of these fees across each entity is subject to change.
13. Represents the estimated opening cash balance in the Filing Entities' bank accounts as at May 16, 2016.
14. Cash requirements during the Period are to be funded from the following sources: cash in the Filing Entities' bank accounts, or monies advanced by Urbancorp Partner (King South) Inc. to the Proposal Trustee and deposited in a trust account it is maintaining for these proceedings ("Trust Account"). An accounting of all intercompany advances will be maintained.

Schedule A

Urbancorp Filing Entities

1. Urbancorp Toronto Management Inc.
2. Urbancorp Downsview Park Development Inc.
3. Urbancorp (St. Clair Village) Inc.
4. Urbancorp (Patricia) Inc.
5. Urbancorp (Mallow) Inc.
6. Urbancorp (Lawrence) Inc.
7. Urbancorp (952 Queen West) Inc.
8. King Residential Inc.
9. Urbancorp New Kings Inc.
10. Urbancorp 60 St. Clair Inc.
11. High Res. Inc.
12. Urbancorp The Bridge Inc.
13. Urbancorp Power Holdings Inc.
14. Vestaco Homes Inc.
15. Vestaco Investments Inc.
16. 228 Queen's Quay West Limited
17. Urbancorp Cumberland 1 LP
18. Urbancorp Cumberland 1 GP Inc.
19. Urbancorp Partner (King South) Inc.
20. Urbancorp (North Side) Inc.
21. Urbancorp Residential Inc.
22. Urbancorp Realtyco Inc.

**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 NEW
KINGS 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 New Kings Inc., Urbancorp 60 St. Clair Inc., Hi Res. Inc. Bridge on King Inc. and the affiliated entities listed in Schedule "A" hereto (collectively, the "Companies"), have developed the assumptions and prepared the attached statement of projected cash flow as of the 13th day of May, 2016 for the period May 16, 2016 to July 1, 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 13th day of May, 2016.



Alan Saskin, Director
The Companies

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.

Appendix “F”



**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 NEW
KINGS 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 New Kings Inc., Urbancorp 60 St. Clair Inc., Hi Res. Inc. Bridge on King Inc. and the affiliated entities listed in Schedule "A" hereto (collectively, the "Companies"), as of the 13th day May, 2016, consisting of a weekly projected cash flow statement for the period May 16, 2016, to July 1, 2016 ("Cash Flow") has been prepared by the management of the Companies 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 discussion related to information supplied by the management and employees of the Companies. 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 Companies 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 13th day of May, 2016.

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

**KSV KOFMAN INC.
IN ITS CAPACITY AS PROPOSED 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 NEW
KINGS INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC.
AND THE AFFILIATED ENTITIES LISTED IN SCHEDULE "A" HERETO
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.