

**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 (WOODBINE) INC. AND URBANCORP (BRIDLEPATH) INC., THE
TOWNHOUSES OF HOGG'S HOLLOW INC., KING TOWNS INC., NEWTOWNS AT
KINGTOWNS INC. AND DEAJA PARTNER (BAY) INC. (COLLECTIVELY, THE
"APPLICANTS")**

AND IN THE MATTER OF TCC URBANCORP (BAY) LIMITED PARTNERSHIP

**THIRD REPORT TO THE COURT
OF GUY GISSIN, IN HIS CAPACITY AS COURT APPOINTED
FUNCTIONARY AND FOREIGN REPRESENTATIVE OF URBANCORP INC.**

March 24, 2017

A. BACKGROUND

1. On April 21, 2016, certain direct and indirect subsidiaries (the "**NOI Entities**") of Urbancorp Inc. ("**UCI**") commenced bankruptcy proposal proceedings pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. C-36, as amended (the "**NOI Proceedings**"). KSV Kofman Inc. ("**KSV**") was appointed as the Proposal Trustee for each of the NOI Entities.
2. On April 25, 2016, pursuant to an application under Israel's insolvency regime (the "**Israeli Proceedings**") brought by the indenture trustee of certain notes issued by UCI to bond holders on the Tel Aviv Stock Exchange (the "**Bond Issuance**"), the District Court in Tel Aviv-Jaffa, Israel (the "**Israeli Court**") granted an order giving the Foreign Representative certain management powers, authorities and responsibilities over UCI (the "**Initial Israeli Order**").

3. Also, on April 25, 2016, Urbancorp (Woodbine) Inc. (“**Woodbine**”) and Urbancorp (Bridlepath) Inc. (“**Bridlepath**”) each filed a NOI. KSV was also appointed as the Proposal Trustee for both Bridlepath and Woodbine.
4. On May 11, 2016, the Israeli Court granted an order authorizing the Foreign Representative to enter into a protocol between the Foreign Representative and KSV (the “**Protocol**”). The Protocol contemplated, among other things, that the NOI Entities and certain other entities (together, the “**Cumberland CCAA Entities**”) would file for protection under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) (the “**CCAA Proceedings**”).
5. On May 18, 2016, the Ontario Superior Court of Justice (Commercial List) (the “**Ontario Court**”) granted an initial order (the “**Initial Order**”) under the CCAA in respect of the Cumberland CCAA Entities and appointed KSV as monitor (the “**Monitor**”) of the Cumberland CCAA Entities. The Initial Order also approved the Protocol.
6. On May 18, 2016, the Ontario Court also granted two orders under Part IV of the CCAA, which:
 - (a) recognized the Israeli Proceedings in respect of UCI as a “foreign main proceeding”;
 - (b) recognized the Foreign Representative as the foreign representative of Urbancorp Inc.; and
 - (c) appointed KSV as the Information Officer (the “**Information Officer**”) in respect of UCI.
7. On October 18, 2016, the Ontario Court granted an initial order under the CCAA in respect of Bridlepath, Woodbine and certain other entities (together, the “**Bay CCAA Entities**”) and KSV was appointed Monitor of the Bay CCAA Entities.

B. PURPOSE OF THE REPORT

8. The purpose of this Third Report is to:

(A) Report to the Court on:

- (i) The disallowance by the Monitor of the claim of UCI in relation to the \$6 million promissory note, dated December 11, 2015 (the “**\$6 Million Promissory Note**”), originally issued by TCC Urbancorp (Bay) Limited Partnership (“**TCC Bay**”) to Urbancorp Toronto Management Inc. (“**UTMI**”) and which UTMI subsequently assigned to UCI;
- (ii) The related \$2 million promissory note, dated December 11, 2015 (the “**\$2 Million Promissory Note**”), originally issued by TCC Bay to UTMI and which UTMI subsequently assigned to Urbancorp Realtyco Inc. (“**Realtyco**”), one of the CCAA Cumberland Entities (the \$6 Million Promissory Note and the \$2 Million Promissory Note are collectively referred to as the “**2015 Promissory Notes**”); and
- (iii) representations made in the prospectus (the “**Prospectus**”), issued in respect of the Israeli bond issuance (the “**Bond Issuance**”), regarding the 2015 Promissory Notes;

(B) Request an Order of the Court:

- (i) setting aside the disallowance of the proof of claim that the Foreign Representative received from the Monitor in relation to the \$6 Million Promissory Note (the “**\$6 Million Disallowance**”) and allowing the claim in full;
- (ii) confirming the validity of the \$2 Million Promissory Note (the “**\$2 Million Disallowance**”);
- (iii) In the alternative, should the 2015 Promissory Notes not be enforceable, a declaration that first \$8 million of funds from TCC Bay that would otherwise be received by Vestaco Investments Inc. (“**Vestaco**”) be held in trust for UCI and Realtyco and be paid to the Foreign Representative on behalf of UCI instead of to Vestaco.

C. THE PROMISSORY NOTES

- 9. This Report is intended to be read in conjunction with the First Report of the Court Appointed Functionary and Foreign Representative (the “**Functionary**”) dated February 22, 2017, and is in reply to the Sixth Report of the Monitor dated March 21, 2017.
- 10. As set out in the Appendix “D” to the First Report of the Functionary, the Prospectus expressly obligated Alan Saskin and his family (the “**Rights Holders**”) to assign to UCI

the right to repayment of loans held by entities within the Urbancorp group of companies in the amount of \$8 million as part of the Bond Issuance.

11. In anticipation and for the purpose of the Bond Issuance, interim pro forma consolidated financial statements were prepared for UCI as of June 30, 2015 (the “June 2015 Financial Statements”). The June 2015 Financial Statements reflect the \$8 million 2014 Promissory Note as an asset of UCI on a proforma basis. The June 2015 Financial Statements were reviewed by the Israeli accounting firm of Brightman Almagor Zohar & Co. A copy of the June 2015 Financial Statements is attached as Appendix “A”.
12. Further, in anticipation and for the purpose of the Bond Issuance, condensed interim pro forma consolidated financial statements were prepared for UCI as of September 30, 2015 (the “September 2015 Financial Statements”). The September 2015 Financial Statements reflect the \$8 million 2014 Promissory Note as an asset of UCI on a proforma basis. A copy of the September 2015 Financial Statements is attached as Appendix “B”.
13. As part of the Bond Issuance process, Alan Saskin, President and Chairman of the Board of UCI was required to provide confirmation to Apex Issuances, the underwriter, that, among other things, the Prospectus describes correctly and faithfully all the details, facts and information referred thereto and that is contained no “misleading details”. Attached as Appendix “C” collectively are letters confirming the foregoing addressed to Apex Issuances dated November 29, 2015 and December 7, 2015.
14. In March 2016, UCI provided Midroog, the rating agency, with a breakdown of cash flows. The breakdown of cash flows reflects it was anticipated that there would be \$8 million of net cash flow from the UTMI receivable (which was the subject of the 2015 Promissory Notes). A copy of the breakdown is attached as Appendix “D”.
15. It appears that at all times in their dealings relating to the Bond Offering, UCI and Alan Saskin represented and maintained that \$8 million was owing pursuant to the 2014 and 2015 Promissory Notes.

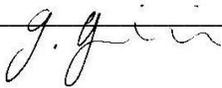
D. RECOMMENDATIONS

16. The Foreign Representative respectfully requests that this Honourable Court grant an Order:

- (i) setting aside the disallowance of the proof of claim that the Foreign Representative received from the Monitor in relation to the \$6 Million Promissory Note;
- (ii) confirming the validity of the \$2 Million Promissory Note; and
- (iii) in the alternative, should the 2015 Promissory Notes not be enforceable, a declaration that first \$8 million, plus interest of funds from TCC Bay that would otherwise be paid to Vestaco be held in trust for UCI and Realtyco and should be paid to the Foreign Representative on behalf of UCI instead of to Vestaco.

**ALL OF WHICH IS RESPECTFULLY
SUBMITTED THIS 24th DAY OF MARCH,
2017.**

**Guy Gissin, in his capacity as Court-Appointed
Functionary and Foreign Representative of
Urbancorp Inc., and not in his personal or
corporate capacity**



Appendix "A"

URBANCORP INC.

INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2015

UNAUDITED

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Auditors' review report to the shareholders of UrbanCorp Inc.

Introduction

We have reviewed the accompanying pro forma financial information of UrbanCorp Inc. and subsidiaries ("the Group"), which comprises the condensed pro forma consolidated statement of financial position as of June 30, 2015 and the related condensed pro forma consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six and three months periods then ended. The Company's board of directors and management are responsible for the preparation and presentation of interim financial information for these periods in accordance with IAS 34, "Interim Financial Reporting" and are responsible for the preparation of this interim financial information in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion on this interim pro forma financial information based on our review.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim pro forma financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the abovementioned, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim pro forma financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970 and the pro forma policies and assumptions described in the pro forma financial statements.

Tel-Aviv, Israel
September 24, 2015

BRIGHTMAN ALMAGOR ZOHAR & CO.

INTERIM PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30,		December 31,
	2015	2014	2014
	Unaudited		Audited
	CAD in thousands		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	315	2,693	592
Restricted and earmarked deposits	2,048	3,939	3,901
Other accounts receivable	12,772	9,138	9,307
Trade receivables - condominium buyers	4,785	802	43,523
Customer deposits held in trust	8,199	5,694	7,160
Inventories of buildings for sale	111,938	125,352	107,133
Related parties	8,000	-	*) -
	<u>148,057</u>	<u>147,618</u>	<u>171,616</u>
NON-CURRENT ASSETS:			
Investment property under construction	59,911	42,119	50,802
Investment property	15,802	7,749	8,871
Real estate inventories	19,157	13,674	34,354
Property, plant and equipment	48,719	48,984	48,778
Long-term receivables	1,551	4,715	3,623
Goodwill	1,961	1,961	1,961
	<u>147,101</u>	<u>119,202</u>	<u>148,389</u>
	<u>295,158</u>	<u>266,820</u>	<u>320,005</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Loans from financial corporations and others	137,153	124,512	174,020
Trade payables, contractors and service providers	29,258	26,505	30,231
Advances from condominium buyers	23,148	29,498	29,533
Other accounts payable	10,575	1,406	1,398
	<u>200,134</u>	<u>181,921</u>	<u>235,182</u>
NON-CURRENT LIABILITIES:			
Loans from financial corporations and others	3,615	2,547	2,523
Deferred tax liabilities	16,539	18,466	17,698
	<u>19,830</u>	<u>21,013</u>	<u>20,221</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Owners' contributions, net	60,446	53,014	*) 55,092
Capital reserve for revaluation of property, plant and equipment net of tax	20,656	20,684	20,449
Accumulated deficit	(6,232)	(9,812)	(10,939)
Total equity	<u>74,870</u>	<u>63,886</u>	*) <u>64,602</u>
	<u>295,158</u>	<u>266,820</u>	<u>320,005</u>

*) Retroactive adjustment, see Note 3.

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

September 24, 2015	Mr. Alan Saskin	Mr. Philip Gales
Date of approval of the financial statements	CEO and Chairman	Deputy CEO, Finance

**INTERIM PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	CAD in thousands				
Revenues from sale of condominiums and retail space	44,258	4,888	5,923	165	56,693
Revenues from rent and management of properties	2,514	597	1,241	246	1,557
Revenues from operating geothermal units	730	199	331	99	703
	<u>47,502</u>	<u>5,684</u>	<u>7,495</u>	<u>510</u>	<u>58,953</u>
Cost of condominiums and retail space sold	(37,412)	(3,854)	(1,472)	(1,374)	(50,711)
Cost of rent and management of properties	(1,236)	(890)	(469)	(382)	(1,347)
Operating cost of geothermal units	(332)	(272)	(142)	(128)	(577)
	<u>(38,980)</u>	<u>(5,016)</u>	<u>(2,083)</u>	<u>(1,884)</u>	<u>(52,635)</u>
Gross profit (loss)	<u>8,522</u>	<u>668</u>	<u>5,412</u>	<u>(1,374)</u>	<u>6,318</u>
Selling and marketing expenses	(2,640)	(964)	(403)	(315)	(4,775)
General and administrative expenses	(426)	(686)	(98)	(320)	(1,351)
Fair value gain (loss) of investment property, net	(388)	4,003	(1,191)	(54)	1,586
Other income, net	1,415	-	1,289	-	69
Operating income	<u>6,483</u>	<u>3,021</u>	<u>5,009</u>	<u>(2,063)</u>	<u>1,847</u>
Finance income	874	389	391	150	380
Finance expenses	(953)	(438)	(354)	(70)	(788)
Finance income (expenses), net	<u>(79)</u>	<u>(49)</u>	<u>37</u>	<u>80</u>	<u>(408)</u>
Income (loss) for the period before income tax	6,404	2,972	5,046	(1,983)	1,440
Income tax expense (income)	(1,697)	(787)	(1,337)	526	(381)
Total income (loss)	<u>4,707</u>	<u>2,185</u>	<u>3,709</u>	<u>(1,457)</u>	<u>1,058</u>
Other comprehensive income:					
Items of other comprehensive income that will not be reclassified subsequently to profit or loss:					
Gain (loss) from revaluation of property, plant and equipment net of tax	207	7,285	(30)	(1,146)	7,050
Total other comprehensive income (loss) for the period	<u>207</u>	<u>7,285</u>	<u>(30)</u>	<u>(1,146)</u>	<u>7,050</u>
Total comprehensive income (loss) for the period	<u>4,914</u>	<u>9,470</u>	<u>3,679</u>	<u>(2,603)</u>	<u>8,109</u>

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

INTERIM PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Owners' contributions, net	Capital reserve for revaluation of property, plant and equipment net of tax	Retained earnings	Total
	CAD in thousands			
Balance at January 1, 2015 (audited)	*) 55,092	20,449	(10,939)	64,602
Income	-	-	4,707	4,707
Other comprehensive loss	-	207	-	207
Contributions	11,557	-	-	11,557
Withdrawals	(6,203)	-	-	(6,203)
Balance at June 30, 2015 (unaudited)	<u>60,446</u>	<u>20,656</u>	<u>(6,232)</u>	<u>74,870</u>
Balance at January 1, 2014 (audited)	55,984	13,399	(11,997)	57,386
Income	-	-	2,185	2,185
Other comprehensive income	-	7,285	-	7,285
Contributions	9,750	-	-	9,750
Withdrawals	(12,720)	-	-	(12,720)
Balance at June 30, 2014 (unaudited)	<u>53,014</u>	<u>20,684</u>	<u>(9,812)</u>	<u>63,886</u>
Balance at January 1, 2014 (audited)	55,984	13,399	(11,997)	57,386
Income	-	-	1,058	1,058
Other comprehensive income	-	7,050	-	7,050
Contributions	*) 17,876	-	-	*) 17,876
Withdrawals	(18,768)	-	-	(18,768)
Balance at December 31, 2014 (audited)	<u>55,092</u>	<u>20,449</u>	<u>(10,939)</u>	<u>64,602</u>

*) Retroactive adjustment, see Note 3.

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

INTERIM PRO FORMA CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Owners' contributions, net	Capital reserve for revaluation of property, plant and equipment net of tax	Retained earnings	Total
	CAD in thousands			
Balance at April 1, 2015 (unaudited)	63,553	20,686	(9,941)	74,298
Income	-	-	3,709	3,709
Other comprehensive loss	-	(30)	-	(30)
Contributions	2,231	-	-	2,231
Withdrawals	(5,338)	-	-	(5,338)
Balance at June 30, 2015 (unaudited)	<u>60,446</u>	<u>20,656</u>	<u>(6,232)</u>	<u>74,870</u>
Balance at April 1, 2014 (unaudited)	55,128	21,830	(8,355)	68,603
Loss	-	-	(1,457)	(1,457)
Other comprehensive loss	-	(1,146)	-	(1,146)
Contributions	(1,379)	-	-	(1,379)
Withdrawals	(735)	-	-	(735)
Balance at June 30, 2014 (unaudited)	<u>53,014</u>	<u>20,684</u>	<u>(9,812)</u>	<u>63,886</u>

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

INTERIM PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	CAD in thousands				
<u>Cash flows from operating activities:</u>					
Income (loss) for the period	4,707	2,185	3,709	(1,457)	1,058
Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	998	1,473	476	383	2,414
Finance expenses (income), net	79	49	(37)	(80)	409
Income tax expense (income)	1,697	787	1,337	(526)	381
Fair value gain (loss) of investment property, net	388	(4,003)	1,191	54	(1,586)
Other income, net	(1,415)	-	(1,289)	-	(69)
Change in asset and liability items:					
Decrease (increase) in other accounts receivable	(1,393)	(2,362)	232	930	(1,258)
Decrease in trade receivables - condominium buyers	38,738	46,795	65,660	57	4,075
Decrease (increase) in inventories of buildings for sale	31,766	(12,006)	(2,246)	(9,031)	6,137
Increase in real estate inventories	(1,870)	(1,164)	(1,712)	(820)	(14,017)
Increase (decrease) in trade and other accounts payable	8,392	(5,260)	11,625	(2,714)	(599)
Increase (decrease) in advances from condominium buyers	(6,384)	1,746	3,458	1,719	1,768
Net cash provided by (used in) operating activities	75,703	28,240	82,404	(11,485)	(1,287)
<u>Cash flows from investing activities:</u>					
Interest received	874	389	391	150	380
Change in customer deposits held in trust	(1,039)	1,857	647	446	396
Change in restricted and earmarked deposits	1,854	2,039	(68)	(1,666)	2,076
Construction of investment property	(6,542)	(5,595)	(5,226)	(3,023)	(11,888)
Investment in property, plant and equipment	(658)	(2,887)	(517)	(2,152)	(3,934)
Net cash used in investing activities	(5,511)	(4,197)	(4,773)	(6,245)	(12,970)
<u>Cash flows from financing activities:</u>					
Interest paid	(6,424)	(4,775)	(3,340)	(1,796)	(13,030)
Receipt of loans from financial corporations and others	20,619	28,351	6,620	11,586	80,097
Repayment of loans from financial corporations and others	(79,087)	(46,607)	(76,968)	5,175	(55,967)
Distributions to equity holders of the Company	(6,203)	(2,220)	(5,338)	(735)	(7,598)
Contributions by equity holders of the Company	626	3,452	578	2,429	10,898
Net cash provided by (used in) financing activities	(70,469)	(21,799)	(78,448)	16,659	14,400
Change in cash and cash equivalents	(277)	2,244	(817)	(1,071)	143
Cash and cash equivalents at the beginning of the period	592	449	1,132	3,764	449
Cash and cash equivalents at the end of the period	315	2,693	315	2,693	592

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

INTERIM PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	CAD in thousands				
<u>Appendix A - non-cash transactions:</u>					
Balances with related parties	8,000	-	8,000	-	*) -
Repayment of credit and loans by controlling shareholder	-	6,678	-	6,678	6,678
Purchase of investment property through seller's credit	2,800	-	2,800	-	572

*) Retroactive adjustment, see Note 3.

The accompanying notes are an integral part of the interim pro forma consolidated financial statements.

NOTES TO INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. UrbanCorp Inc. ("the Company") was founded and incorporated on June 19, 2015 under the laws of Ontario province, Canada.
- b. Its registered office is located at 120 Lynn Williams Street, Suite 2A, Toronto, Ontario, Canada.

The Company and its subsidiaries are involved in development, ownership, leasing and selling of retail and residential condominiums in Ontario.

The Company also holds geothermal assets that are combined heating and cooling systems installed in condominiums which integrate green technologies to ensure that the condominium is kept in an environment where temperature is optimal.

These condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements as of December 31, 2014 and for the year then ended and accompanying notes.

- c. The interim pro forma consolidated financial statements of the Company have been prepared to reflect the acquisition of the transferred interests as if it had occurred at the beginning of the earliest period presented in the pro forma consolidated financial statements (January 1, 2012), at the later of the date on which the transferred corporations were incorporated and the date on which the right holders acquired the holdings to these corporations. Also, conditional on the completion of the placement and the admission of the Company's bonds to trading, the controlling shareholders are to assign to the Company their right to receive loans from entities that are owned by them which amount totals approximately CAD 8,000 thousand. The pro forma financial statements comprise this assignment of right as if it had been received on June 30, 2015. The historical financial data do not include the revenues and expenditures of the transferred properties.
- d. Acquisition of investments from the controlling shareholder:

The right holders have undertaken that prior to the admission of the bonds (series A) offered to the public according to this prospectus to trading on the Tel-Aviv Stock Exchange and conditional on the success of the public offering, they will transfer to the Company their interests (including indirectly through corporations that are owned by them) to the transferred corporations which indirectly hold interests in investment properties, real estate development properties and geothermal assets in Toronto, Ontario, Canada, and the related liabilities against the issuance of 100 shares of the Company to a corporation that is owned by the right holders, that is wholly controlled by the controlling shareholder.

It is hereby clarified that the transfer of the transferred rights and liabilities is not conditional on the suspending conditions and will become effective subject to the success of the public offering.

NOTES TO INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- GENERAL (Cont.)

- e. Pro forma consolidated financial statements:

Since the Company is acquiring these operations from the transferring entities, which are controlled by the same controlling shareholders of the Company before and after the acquisition, the acquisition is not a business combination within the scope of IFRS 3.

Accordingly, the Company is accounting for the acquisition in a manner similar to a pooling of interests.

Consequently, the Company has prepared pro forma consolidated financial statements for the purpose of an initial public offering of the Company's bonds on the Tel-Aviv Stock Exchange to reflect the acquisition as if it had occurred at the beginning of the earliest period presented (January 1, 2012). Thus, the pro forma consolidated financial statements comprise the consolidated financial position, results of operations and cash flows of the Company and of the operations acquired from the transferring entities. For certain projects that were acquired by the transferring entities subsequent to January 1, 2012, the pro forma consolidated financial statements reflect the net assets and liabilities of these projects and the activities from the date those projects were acquired by the transferring entities.

Also, conditional on the completion of the placement and the admission of the Company's bonds to trading, the controlling shareholders are to assign to the Company their right to receive loans from entities that are owned by them which amount totals approximately CAD 8,000 thousand. The pro forma financial statements comprise this assignment of right as if it had been received on June 30, 2015.

Due to the fact that the legal structure of the transferring entities did not comprise instructions regarding the way amounts distributed to shareholders should be recognized in equity components, distributions made to shareholders were reflected in the pro forma statement of changes in equity assuming that the Company initially distributes the remaining other capital reserves.

After the completion of the acquisition of operations from the transferring entities which are controlled by the same controlling shareholders of the Company (namely, on the completion of the placement as above), the Company will be liable for tax on the transfer of the above properties in an estimated amount of approximately CAD 3.5 million which will be recorded as costs as incurred.

NOTES TO INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2:- ACCOUNTING POLICIES

The interim pro forma consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "Interim Financial Reporting".

The accounting policies, principles of presentation and methods of computation followed in the preparation of these interim pro forma consolidated financial statements are identical to those followed in the preparation of the annual financial statements as of December 31, 2014 and for the year then ended.

The interim pro forma consolidated financial statements have been prepared in accordance with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

NOTE 3:- RETROACTIVE ADJUSTMENT DUE TO CHANGES IN PRO FORMA ASSUMPTIONS

As described in Note 1d above, the Company's pro forma consolidated financial statements have been prepared under a pro forma assumption that reflects the assignment to the Company of the right to receive loans from entities that are owned by the right holders as an owners' contribution. The Company's annual financial statements as of December 31, 2014 were prepared under the assumption that said right was assigned to the Company on December 31, 2014. In these financial statements, the Company retroactively adjusted the data in the statement of financial position as of December 31, 2014 in order to retroactively reflect the change in this pro forma assumption (the assumption in these financial statements is that the right was assigned to the Company on June 30, 2015).

NOTE 4:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

a. Balances with interested and related parties:

	June 30,		December 31,
	2015	2014	2014
	Unaudited		Audited
	CAD in thousands		
Related parties (1)	8,000	-	*) -
Other accounts receivable (2)	1,827	338	1,802
Long-term receivables (2)	1,551	2,180	1,088
Inventories (3)	429	429	1,715
Trade payables (4)	628	78	719

*) Retroactive adjustment, see Note 3.

NOTES TO INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 4:- BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES
(Cont.)**

- (1) A non-interest bearing balance.
- (2) Receivables for sale of office pavilion by Edge on Triangle Park Inc. and receivables for geothermal accrued income by a geothermal asset management company that is owned by the controlling shareholder.
- (3) Management fees to interested party that were capitalized to inventories.
- (4) Payables related to management fees.

b. Transactions with related parties:

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	CAD in thousands				
Salaries and benefits - general and administrative	366	495	76	241	1,140
Operating expenses	54	107	34	70	72
Total	420	602	110	311	1,212

c. Comprehensive service agreement with the management company:

Close to the date of the placement of bonds (series A), the Company plans to enter into a comprehensive service agreement with the management company ("the service agreement") in the framework of which the management company will render the Company a variety of one-stop-shop services supporting its operation such as acquisitions and investments mechanism, financing, marketing, legal consulting, bookkeeping and accounting reporting, asset management supervision, office services, communication, computers, secretariat, chairman, CEO and CFO ("the management services"). The management services will be provided by employees of UrbanCorp group from the Group's headquarters in Toronto, Canada, including by the Company's officers. The service agreement becomes effective once the placement under this prospectus is complete and shall remain in effect for the entire term of the Company's bond and shall expire at the date on which no bonds are outstanding. It is clarified that this service agreement was initially prepared for the placement of the bonds under this prospectus. The fixed annual fee for the services to be rendered to the Company by virtue of the comprehensive management agreement is placed at CAD 1.5 million per annum ("the overall consideration"). Assuming that the agreement had become effective on January 1, 2012, the general and administrative expenses would have increased with a corresponding decrease in annual, half-year and quarterly income by approximately CAD 1,500 thousand, CAD 750 thousand and CAD 375 thousand, respectively.

NOTES TO INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5:- OPERATING SEGMENTS

- a. The Company operates within the commercial and residential rent and development business. In several projects, the Company operates geothermal units which are used to provide heating and cooling to the properties using green energy. The following is general information on operating segments:
 1. Residential property development - includes the development, purchase and sale of properties.
 2. Residential income properties - includes rent and management of residential properties.
 3. Geothermal units - includes development, maintenance and management of geothermal units that provide temperature control to the properties.
 4. Other - commercial properties for rent.
- b. The chief operating decision maker in the Company is the controlling shareholder, Mr. Alan Saskin who serves as CEO and chairman.
- c. General information on the operating segments:

1. General:

Segment income and expenses comprise income and expenses resulting from the operating activities of the segments that are attributable directly to the business segments as well as proportionate share of the Company's expenses in respect of all the segments that can be allocated to the segments on a reasonable basis.

The segment's operating results and liabilities present 100% of the joint operations on the basis of information that is reviewed by the chief operating decision maker in the Company.

NOTES TO INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
NOTE 5:- OPERATING SEGMENTS (Cont.)

2. Segment operating results:

	<u>Residential property development</u>	<u>Residential income properties</u>	<u>Geothermal units</u>	<u>Other</u>	<u>Adjustments</u>	<u>Total</u>
	CAD in thousands					
Six months ended June 30, 2015 (unaudited):						
Segment revenues	69,450	249	730	66	(22,993)	47,502
Segment results	8,057	107	399	66	(2,747)	5,882
General and administrative expenses						(426)
Other income						1,415
Fair value loss of investment property						(388)
Finance expenses, net						(79)
Income before income tax						6,404
Six months ended June 30, 2014 (unaudited):						
Segment revenues	5,737	213	199	3,184	(3,649)	5,684
Segment results	957	158	(74)	(42)	(1,295)	(296)
General and administrative expenses						(686)
Fair value gain of investment property						4,003
Finance expenses, net						(49)
Income before income tax						2,972
Three months ended June 30, 2015 (unaudited):						
Segment revenues	10,443	121	331	30	(3,430)	7,495
Segment results	7,070	92	189	32	(2,374)	5,009
General and administrative expenses						(98)
Other income						1,289
Fair value loss of investment property						(1,191)
Finance income						37
Income before income tax						5,046

NOTES TO INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
NOTE 5:- OPERATING SEGMENTS (Cont.)

	Residential property development	Residential income properties	Geothermal units	Other	Adjustments	Total
	CAD in thousands					
Three months ended June 30, 2014 (unaudited):						
Segment revenues	487	121	100	-	(198)	510
Segment results	(1,986)	88	(29)	-	238	(1,689)
General and administrative expenses						(320)
Fair value loss of investment property						(54)
Finance income						80
Loss before income tax						(1,983)
Year ended December 31, 2014 (audited):						
Segment revenues	82,774	466	835	3,253	(28,375)	58,953
Segment results	2,013	263	258	60	(1,050)	1,544
General and administrative expenses						(1,351)
Other income						69
Fair value gain of investment property						1,586
Finance expenses						(408)
Income before income tax						1,440

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

In keeping with the matter discussed in Note 5(b)(2) to the annual pro forma financial statements, on August 3, 2011, a jointly controlled investee entered into two agreements for the acquisition and sale of development lands owned by the Canadian Government. One agreement is for the acquisition of about 1,279,342 sq. ft. of construction land ("the land") for CAD 40,097 thousand ("the land purchase agreement") and the other for the acquisition of plots to build 29 single family units ("the plots") in an area of about 1,188 linear feet ("the plots").

On June 1, 2015, the property company completed the acquisition of the land and funding which amount totals approximately CAD 46,157 thousand as follows:

1. The property company took a vendor take back (VTB) mortgage from the seller which amount totals approximately CAD 36,925 thousand with interest of 0%;

NOTES TO INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6:- SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (Cont.)

2. The property company received credit for the advance in a total of approximately CAD 4,097 thousand which was paid to the seller upon signing the land purchase agreement (50% of said consideration was paid by the partner, as explained below);
3. Another advance paid by the property company in a total of approximately CAD 3,476 thousand will be offset against the purchase consideration;
4. A total of approximately CAD 1,659 thousand had been transferred to the property company in connection with the affordable housing project. It is indicated that this project must include at least 113 affordable housing units, of which 60 detached houses and 53 condominiums according to the rules set forth by the CMHC (Canada Mortgage Housing Corporation), consisting mainly of the specific size of the units and rental fees per sq. ft. It is indicated that as of the date of the financial statements, the Company expects to meet these conditions in view of the project's planning model.

Also, on the same date, June 1, 2015, the property company completed the purchase of the plots and funding which amount totals approximately CAD 8,767 thousand as follows:

1. The property company took a vendor take back (VTB) mortgage from the seller which amount totals approximately CAD 7,014 thousand with interest of 0% (the seller of the property gives the buyer of the property a loan);
2. The property company received credit for the advance in a total of approximately CAD 838 thousand which was paid to the seller upon signing the agreement for the plots;
3. Another advance paid by the property company in a total of approximately CAD 915 thousand will be offset against the purchase consideration.

NOTE 7:- SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- a. On July 28, 2015, an agreement was signed between the Company, through Urbancorp New King Inc. and the partner in Kingsclub project ("the project") as one party and Capreit Limited Partnership, an unrelated third party, as the other party ("the buyer") ("the sale agreement") to sell unspecified interests in one-third (1/3) of each of the condominium units in the project (and related rights including existing lease agreements and parking spaces for these condominium units) ("the sold interests") in consideration of approximately CAD 60,333 thousand. In the framework of the sale agreement, First Capital Reality issued a guarantee for fulfilling the Company's and partner's undertakings in connection with the agreement.

NOTES TO INTERIM PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7:- SIGNIFICANT EVENTS AFTER THE REPORTING DATE (Cont.)

Selling the sold interests to the buyer will be carried out based on a mechanism specified in the sale agreement such that the rights to all revenues, benefits and assets arising from the unspecified interests in one-third (1/3) of each of the condominium units in the project on a floor-by-floor basis will be assigned to the buyer at the most in each quarter on the date of completion of construction of each floor. It is clarified that according to the sale agreement, the ownership rights in the parts that are transferred to the buyer out of the condominiums and the parking spaces will be transferred to the buyer 30 days after the receipt of an occupancy certificate in relation to the last floors of the relevant condominium.

Also, the sale agreement determines that charges by virtue of loans in connection with the first building will be removed by the date of delivery of the ownership to the condominium units in the first building to the buyer which was determined to be December 31, 2018. It is indicated that all charges in connection with the second and third buildings will be removed by the date of transfer of ownership to the buyer of the condominium units of the second and third buildings, as appropriate.

According to the sale agreement, if the loan for the acquisition is available for immediate repayment and the securities in connection with that loan are realized, the buyer will be entitled to acquire half of the interests in the condominiums which are realized by First Capital Reality in consideration of the higher of (1) price reflecting half of the value of such rights and (2) half of the unpaid principal and interest on the loan for the acquisition.

- b. On August 13, 2015, the Company was provided a loan facility of CAD 225 million by a group of lenders. The above loan was taken to finance the Kingsclub project (and repay an existing loan in connection with the property totaling CAD 25 million). The loan is subject to meeting the financial covenants stipulated by the guarantor corporation (the partner, FCR).
- c. On August 11, 2015, the property company which holds the property known as Queen 952 entered into a contingent agreement with an unrelated third party for the sale of the project (including the development and income producing part of the project) in consideration of CAD 14,500 thousand. The closing of the agreement is contingent on the execution of physical and environmental studies of the project by the buyer by September 30, 2015. The expected date for completion of the transaction is October 20, 2015.

Appendix "B"

URBANCORP INC.

CONDENSED INTERIM PRO FORMA CONSOLIDATED

FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2015

UNAUDITED

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**CONDENSED INTERIM PRO FORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION**

	September 30,		December 31,
	2015	2014	2014
	Unaudited		Audited
CAD in thousands			
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	381	733	592
Restricted and earmarked deposits	2,326	3,541	3,901
Other accounts receivable	16,260	8,785	9,307
Trade receivables - condominium buyers	2,620	6,878	43,523
Customer deposits held in trust	8,554	6,282	7,160
Inventories of buildings for sale	96,954	159,911	107,133
Related parties	8,000	-	*) -
Assets held for sale	13,716	-	-
	<u>148,811</u>	<u>186,130</u>	<u>171,616</u>
NON-CURRENT ASSETS:			
Investment property under construction	62,110	45,529	50,802
Investment property	33,601	8,404	8,871
Real estate inventories	16,838	13,899	34,354
Property, plant and equipment	62,073	48,924	48,778
Long-term receivables	1,551	4,715	3,623
Goodwill	1,961	1,961	1,961
	<u>178,135</u>	<u>123,432</u>	<u>148,389</u>
	<u>326,946</u>	<u>309,562</u>	<u>320,005</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Loans from financial corporations and others	147,023	165,996	174,020
Trade payables, contractors and service providers	47,688	23,728	30,231
Advances from condominium buyers	26,062	30,944	29,533
Other accounts payable	853	1,162	1,398
	<u>220,326</u>	<u>221,830</u>	<u>235,182</u>
NON-CURRENT LIABILITIES:			
Loans from financial corporations and others	3,599	2,535	2,523
Deferred tax liabilities	20,908	19,324	17,698
	<u>24,507</u>	<u>21,859</u>	<u>20,221</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Owners' contributions, net	63,826	57,361	*) (55,092)
Capital reserve for revaluation of property, plant and equipment net of tax	22,069	20,564	20,449
Accumulated deficit	(5,082)	(12,052)	(10,939)
	<u>80,813</u>	<u>65,873</u>	<u>*) 64,602</u>
Total equity	<u>80,813</u>	<u>65,873</u>	<u>*) 64,602</u>
	<u>326,946</u>	<u>309,562</u>	<u>320,005</u>

*) Retroactive adjustment following change in pro forma assumptions.

November 29, 2015		
Date of approval of the financial statements	Mr. Alan Saskin CEO and Chairman	Mr. Philip Gales Deputy CEO, Finance

**CONDENSED INTERIM PRO FORMA CONSOLIDATED
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	CAD in thousands				
Revenues from sale of condominiums and retail space	46,475	11,971	2,217	7,083	56,693
Revenues from rent and management of properties	2,900	901	386	304	1,557
Revenues from operating geothermal units	1,085	294	355	95	703
	<u>50,460</u>	<u>13,166</u>	<u>2,958</u>	<u>7,482</u>	<u>58,953</u>
Cost of condominiums and retail space sold	(43,405)	(9,222)	(3,601)	(5,368)	(50,711)
Cost of rent and management of properties	(1,513)	(956)	(277)	(66)	(1,347)
Operating cost of geothermal units	(653)	(455)	(321)	(183)	(577)
	<u>(45,571)</u>	<u>(10,633)</u>	<u>(4,199)</u>	<u>(5,617)</u>	<u>(52,635)</u>
Gross profit (loss)	<u>4,889</u>	<u>2,533</u>	<u>(1,241)</u>	<u>1,865</u>	<u>6,318</u>
Selling and marketing expenses	(4,148)	(2,479)	(178)	(1,515)	(4,775)
General and administrative expenses	(533)	(925)	(107)	(239)	(1,351)
Fair value gain (loss) of investment property, net	(1,156)	755	(768)	(3,248)	1,586
Other income, net	3,708	152	2,293	152	69
Operating income (loss)	<u>2,760</u>	<u>36</u>	<u>(1)</u>	<u>(2,985)</u>	<u>1,847</u>
Finance income	923	418	49	29	380
Finance expenses	(1,287)	(529)	(334)	(91)	(788)
Finance income (expenses), net	<u>(364)</u>	<u>(111)</u>	<u>(285)</u>	<u>(62)</u>	<u>(408)</u>
Income (loss) for the period before income tax	2,396	(75)	(286)	(3,047)	1,439
Income tax expense (income)	(634)	20	76	807	(381)
Total income (loss)	<u>1,762</u>	<u>(55)</u>	<u>(210)</u>	<u>(2,240)</u>	<u>1,058</u>
Other comprehensive income:					
Items of other comprehensive income that will not be reclassified subsequently to profit or loss:					
Gain (loss) from revaluation of property, plant and equipment net of tax	5,715	7,165	5,508	(120)	7,050
Total other comprehensive income (loss) for the period	<u>5,715</u>	<u>7,165</u>	<u>5,508</u>	<u>(120)</u>	<u>7,050</u>
Total comprehensive income (loss) for the period	<u>7,477</u>	<u>7,110</u>	<u>5,298</u>	<u>(2,360)</u>	<u>8,108</u>

**CONDENSED INTERIM PRO FORMA CONSOLIDATED
STATEMENTS OF CHANGES IN EQUITY**

	Owners' contributions, net	Capital reserve for revaluation of property, plant and equipment net of tax	Accumulated deficit	Total
	CAD in thousands			
Balance at January 1, 2015 (audited)	*) 55,092	20,449	(10,939)	*) 64,602
Income	-	-	1,762	1,762
Other comprehensive income	-	5,715		5,715
Transfer to revaluation reserve of property, plant and equipment		(4,095)	4,095	-
Contributions	19,929	-	-	19,929
Withdrawals	(11,195)	-	-	(11,195)
Balance at September 30, 2015 (unaudited)	<u>63,826</u>	<u>22,069</u>	<u>(5,082)</u>	<u>80,813</u>
Balance at January 1, 2014 (audited)	55,984	13,399	(11,997)	57,386
Loss	-	-	(55)	(55)
Other comprehensive income	-	7,165	-	7,165
Contributions	15,675	-	-	15,675
Withdrawals	(14,298)	-	-	(14,298)
Balance at September 30, 2014 (unaudited)	<u>57,361</u>	<u>20,564</u>	<u>(12,052)</u>	<u>65,873</u>
Balance at January 1, 2014 (audited)	55,984	13,399	(11,997)	57,386
Income	-	-	1,058	1,058
Other comprehensive income	-	7,050	-	7,050
Contributions	*) 17,876	-	-	*) 17,876
Withdrawals	(18,768)	-	-	(18,768)
Balance at December 31, 2014 (audited)	<u>55,092</u>	<u>20,449</u>	<u>(10,939)</u>	<u>64,602</u>

*) Retroactive adjustment following change in pro forma assumptions.

**CONDENSED INTERIM PRO FORMA CONSOLIDATED
STATEMENTS OF CHANGES IN EQUITY**

	Owners' contributions, net	Capital reserve for revaluation of property, plant and equipment net of tax	Accumulated deficit	Total
	CAD in thousands			
Balance at July 1, 2015 (unaudited)	60,810	20,656	(8,967)	72,499
Loss	-	-	(210)	(210)
Other comprehensive income	-	5,508	-	5,508
Transfer to revaluation reserve of property, plant and equipment	-	(4,095)	4,095	-
Contributions	7,846	-	-	7,846
Withdrawals	(4,830)	-	-	(4,830)
Balance at September 30, 2015 (unaudited)	<u>63,826</u>	<u>22,069</u>	<u>(5,082)</u>	<u>80,813</u>
Balance at July 1, 2014 (unaudited)	53,014	20,684	(9,812)	63,886
Loss	-	-	(2,240)	(2,240)
Other comprehensive loss	-	(120)	-	(120)
Contributions	5,926	-	-	5,926
Withdrawals	(1,579)	-	-	(1,579)
Balance at September 30, 2014 (unaudited)	<u>57,361</u>	<u>20,564</u>	<u>(12,052)</u>	<u>65,873</u>

**CONDENSED INTERIM PRO FORMA CONSOLIDATED
STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	CAD in thousands				
<u>Cash flows from operating activities:</u>					
Income (loss) for the period	1,762	(55)	(210)	(2,240)	1,058
Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,630	1,955	632	482	2,414
Finance expenses, net	364	111	285	62	409
Income tax expense (income)	634	(20)	(421)	(807)	381
Fair value gain (loss) of investment property, net	1,156	(755)	768	3,248	(1,586)
Other income, net	(3,708)	(152)	(2,293)	(152)	(69)
Change in asset and liability items:					
Decrease (increase) in other accounts receivable	(2,054)	525	(1,956)	2,887	(1,258)
Decrease (increase) in trade receivables - condominium buyers	43,288	38,185	4,550	(8,610)	4,075
Decrease (increase) in inventories of buildings for sale	31,631	(46,425)	(2,635)	(34,419)	6,137
Decrease (increase) in real estate inventories	844	507	2,714	1,671	(14,017)
Increase (decrease) in trade and other accounts payable	6,653	(8,099)	(1,321)	(2,839)	(599)
Increase (decrease) in advances from condominium buyers	(3,906)	3,193	2,478	1,447	1,768
Net cash provided by (used in) operating activities	<u>78,294</u>	<u>(11,030)</u>	<u>2,591</u>	<u>(39,270)</u>	<u>(1,287)</u>
<u>Cash flows from investing activities:</u>					
Interest received	923	418	49	29	380
Change in customer deposits held in trust	(1,331)	1,269	(292)	(588)	396
Change in restricted and earmarked deposits	2,458	2,437	604	398	2,076
Construction of investment property	(12,706)	(11,704)	(6,164)	(6,109)	(11,888)
Cash inflow from business combination	86	-	86	-	-
Investment in property, plant and equipment	(673)	(3,471)	(15)	(584)	(3,934)
Net cash used in investing activities	<u>(11,243)</u>	<u>(11,051)</u>	<u>(5,732)</u>	<u>(6,854)</u>	<u>(12,970)</u>
<u>Cash flows from financing activities:</u>					
Interest paid	(11,702)	(8,032)	(5,278)	(3,257)	(13,030)
Receipt of loans from financial corporations and others	33,528	126,435	12,909	98,084	80,097
Repayment of loans from financial corporations and others	(79,351)	(103,325)	(264)	(56,718)	(55,967)
Distributions to equity holders of the Company	(11,196)	(3,799)	(4,993)	(1,579)	(7,598)
Contributions by equity holders of the Company	1,459	11,086	833	7,634	10,898
Net cash provided by (used in) financing activities	<u>(67,262)</u>	<u>22,365</u>	<u>3,207</u>	<u>44,164</u>	<u>14,400</u>
Change in cash and cash equivalents	(211)	284	66	(1,960)	143
Cash and cash equivalents at the beginning of the period	<u>592</u>	<u>449</u>	<u>315</u>	<u>2,693</u>	<u>449</u>
Cash and cash equivalents at the end of the period	<u>381</u>	<u>733</u>	<u>381</u>	<u>733</u>	<u>592</u>

**CONDENSED INTERIM PRO FORMA CONSOLIDATED
STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,		Three months ended September 30,		Year ended December 31,
	2015	2014	2015	2014	2014
	Unaudited				Audited
	CAD in thousands				
Appendix A - non-cash transactions:					
Balances with related parties	8,000	-	-	-	*) -
Repayment of credit and loans by controlling shareholder	-	6,678	-	-	6,678
Purchase of investment property through seller's credit	2,800	-	-	-	572

*) Retroactive adjustment following change in pro forma assumptions.

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Appendix "C"

November 29, 2015

Apex Issuances
Champion Tower
30 Sheshet Hayamim Street
Bnei Brak, Israel 5112303

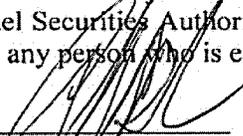
Doron, Tikotzky, Kantor, Gutman,
Cederbom & Co.
Law Office
12 Abba Hillel Silver Street
Ramat Gan, 5250606 Israel

Re: Urbancorp Inc.

We the undersigned, Alan Saskin and Phillip Gales, President and Chairman of the Board and CFO of Urbancorp Inc. (The "**Company**"), after we have read and checked the Prospectus dated November 29, 2015, a copy of which is attached as Appendix A (the "**Prospectus**"), we hereby declare and acknowledge, to the best of our knowledge, as follows:

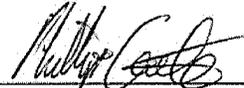
- (A) The Prospectus describes correctly and faithfully all the details, facts and information referred thereto, and is duly signed by the Company and its directors who were appointed according to applicable law.
- (B) The statements, estimates, data, calculations, predictions and provisions included in the Prospectus, if any, were made in good faith after testing and evaluating their suitability and are based on professional understandings.
- (C) The Prospectus has no "misleading details" as defined in the Securities Law, 1968, and does not lack any detail that might be important to a reasonable investor, who is considering purchasing the securities thereunder, and any details required in accordance with the Securities Regulations (Details, Structure and shape), 1969.
- (D) The reports and information contained in the Prospectus for the years and periods as described in the financial statements (audited) of the Company, properly reflect the Company's situation for the years and periods included in the financial statements.
- (E) The Prospectus provides a truthful description of the Company's share capital and shareholders holdings.
- (F) The insurance coverage of the Company and its subsidiaries, as described in the Prospectus, is adequate and the Company and its subsidiaries are not under insured.
- (G) Since the dates mentioned in the Prospectus and until the date of publication of the prospectus, there has not been any material adverse change in the Company, its business results or in the material assets and no material event that might have an effect to the reasonable investor contemplating the purchase of securities offered under the Prospectus occurred.
- (H) We hereby undertake to immediately report to the underwriters on the occurrence of any event and/or change or regarding new information that comes to our attention during the period commencing from the signing of the underwriting agreement and ending on the date of closing of the subscription list, that if was known before the publication of the Prospectus had to be included in the Prospectus, under any law.

- (1) We have no objection that upon any request you will transfer this letter to the Israel Securities Authority and the Tel-Aviv Stock Exchange Ltd. representatives and any person who is entitled by law.



Alan Saskin

President and Chairman of the Board



Philip Gales

Chief Financial Officer

December 7, 2015

Apex Issuances
Champion Tower
30 Sheshet Hayamim Street
Bnei Brak, Israel 5112303

Doron, Tikotzky, Kantor, Gutman,
Cederbom & Co.
Law Office
12 Abba Hillel Silver Street
Ramat Gan, 5250606 Israel

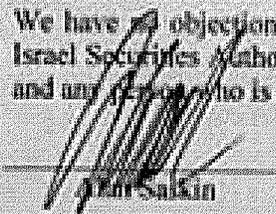
Re: Urbancorp Inc.

We the undersigned, Alan Saskin and Phillip Gales, President and Chairman of the Board and CFO of Urbancorp Inc. (The "**Company**"), after we have read and checked the amendment of the Prospectus' dated November 30, 2015, which will be published on December 2015, a copy of which is attached as Appendix A (the "**Prospectus**"), we hereby declare and acknowledge, to the best of our knowledge, as follows:

- (A) The Prospectus describes correctly and faithfully all the details, facts and information referred thereto, and is duly signed by the Company and its directors who were appointed according to applicable law.
- (B) The statements, estimates, data, calculations, predictions and provisions included in the Prospectus, if any, were made in good faith after testing and evaluating their suitability and are based on professional understandings.
- (C) The Prospectus has no "misleading details" as defined in the Securities Law, 1968, and does not lack any detail that might be important to a reasonable investor, who is considering purchasing the securities thereunder, and any details required in accordance with the Securities Regulations (Details, Structure and shape), 1969.
- (D) The reports and information contained in the Prospectus for the years and periods as described in the financial statements (audited) of the Company, properly reflect the Company's situation for the years and periods included in the financial statements.
- (E) The Prospectus provides a truthful description of the Company's share capital and shareholders holdings.
- (F) The insurance coverage of the Company and its subsidiaries, as described in the Prospectus, is adequate and the Company and its subsidiaries are not under insured.
- (G) Since the dates mentioned in the Prospectus and until the date of publication of the prospectus, there has not been any material adverse change in the Company, its business results or in the material assets and no material event that might have an effect to the reasonable investor contemplating the purchase of securities offered under the Prospectus occurred.
- (H) We hereby undertake to immediately report to the underwriters on the occurrence of any event and/or change or regarding new information that comes to our attention during the period commencing from the signing of the underwriting agreement and ending on the date of closing of the subscription list, that if was

known before the publication of the Prospectus had to be included in the Prospectus, under any law.

- (I) We have no objection that upon any request you will transfer this letter to the Israel Securities Authority and the Tel-Aviv Stock Exchange Ltd. representatives and any person who is entitled by law.



Yehonatan Salkin

President and Chairman of the Board



Phillip Gules

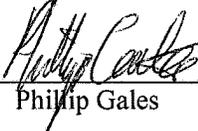
Chief Financial Officer

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- (1) We have no objection that upon any request you will transfer this letter to the Israel Securities Authority and the Tel-Aviv Stock Exchange Ltd. representatives and any person who is entitled by law.

Alan Saskin

President and Chairman of the Board



Philip Gales

Chief Financial Officer

Appendix "D"

Transactions and Deals Made, Under Discussion and Planned to Occur in the Coming Periods

Deal	Details	Calculation of Cashflow	Net Cashflow to Pay off Payables (CAD \$mln)	Likelihood of Occurrence	Likely Date of Occurrence	Latest Date on Which Deal May Feasibly Occur
\$12mln cash injection				100%	10-Mar-2016	10-Mar-2016
Sale of 1071 King Land				100%	07-Mar-2016	07-Mar-2016
Purchase of Fuzion Geothermal				100%	07-Mar-2016	07-Mar-2016
Receivable from Downsview				100%	Apr-2016	Jun-2016
Sale of 840 St. Clair Land				95%	Apr-2016	Jul-2016
Mortgage on Edge rental units				95%	Apr-2016	May-2016
Mortgage on Bridge geothermal unit				80%	Jun-2016	Aug-2016
Mortgage on Curve geothermal unit				70%	Aug-2016	Oct-2016
Mortgage on Edge geothermal unit				50%	Dec-2016	Feb-2017
Edge-Epic Receivable				90%	Jun-2016	Jul-2016
\$8mln UTM Receivable	<p>Due to tax planning, the Urbancorp Toronto Management (UTM) company was owed \$8mln from Urbancorp projects outside the Urbancorp Inc issuance company. This Receivable was transferred into Urbancorp Inc as part of the bond issuance.</p> <p>The \$8mln is expected to be received from the Valermo, Bayview and Edgewood projects, which are Urbancorp company projects that lie outside the Urbancorp Inc issuance company.</p> <p>Third party verification of the receivability of this amount is currently being carried out to confirm whether the entire amount will be received (or what part will be received), and to clarify when</p>	\$8mln	CAD \$ 8.00 mln	80%	Aug-2017	Mar-2018
			Total Cashflow to Pay Off Payables	CAD \$ 54.01 mln		
			Likelihood Weighted Cashflow to Pay Off Payables	CAD \$ 46.63 mln		

REDACTED