

In the Tel Aviv District Court

LF 444348-04-18

Application no. _____

Before the Deputy President His Honor Judge Eitan Orenstein

in re: **The Companies Law, 5759-1999**

the Law

The Companies Regulations (Application for Compromise or Arrangement), 5762-2002

the Settlement or Compromise Regulations

and in re: **Urbancorp Inc., Canadian Company No. 2471774**

The Company

and in re: **Adv. Guy Gissin - temporary functionary officer of Urbancorp. Inc.**

acting by his attorneys, Advs. Yoel Freilich *et al*

of Gissin & Co., Law Firm, 38B Ha'Barzel Street, Tel Aviv 69710,
Tel. 03-7467777, Fax. 03-7467700

The Functionary Officer

and in re: **The Official Receiver**

of 2 Ha'Shlosa Street, Tel Aviv, Tel. 03-6899695, Fax. 02-6462502

The Official Receiver

Application for the Grant of Instructions

**(with regard to the entry into a collaboration agreement
with the Canadian trustee for the Edge companies)**

The Honorable Court is hereby moved to exercise its power and to grant approval to the Functionary Officer of Urbancorp Inc. (hereinafter and respectively - the "**Functionary Officer**" and the "**Company**") to enter into a collaboration agreement with the (proposed) Canadian trustee for the Edge group companies (as defined below) (hereinafter - the "**collaboration agreement**") in the form of wording annexed hereto as **exhibit "1"**.

As detailed in this application, further to the cooperation agreement with the Canadian trustee appointed for most of the group's companies, the Functionary Officer wishes to enter into a similar agreement with the Canadian trustee appointed for the Edge group companies, for the sake of working together to maximize these companies' assets.

The collaboration agreement is subject to approvals from the Honorable Court and from the Canadian court and on June 15, 2016 a hearing is expected to take place in such regard in the suitable court in Canada.¹

And these are the grounds of the application:

1. As mentioned, on April 25, 2016 the Honorable Court ordered the appointment of Adv. Guy Gissin as the Functionary Officer for the Company, in its decision of May 22, 2016 the Honorable Court ordered that the appointment's validity be extended to September 22, 2016 (hereinafter - the "**appointment order**").
2. As described in previous reports filed by the Functionary Officer and in accordance with the power vested in the Functionary Officer under the appointment order, the Functionary Officer acted to reach understandings with KSV Kofman Inc. - the Canadian trustee appointed for most of the subsidiaries in the Urbancorp group (hereinafter - "**KSV**"). These

¹ Merely by way of illustration, it is clarified that on June 15, 2016 a further hearing was fixed before the Canadian court in relation to extending the appointment of KSV and its' application for the approval of various acts committed by it in relation to financing the CCAA proceedings and a financing arrangement with regard to the equity required of one of the subsidiaries in connection with a construction loan for such project. Also filed for the Canadian court's approval was a report on behalf of KSV detailing the main acts done and that it intended doing in the framework of its position. The Functionary Officer and the Canadian lawyers are in regular contact with the Canadian trustee with regard to the financing arrangements and the acts mentioned above, and are working at all times to safeguard the interests of the Company and its creditors. Full details of the said acts and financing arrangements, and the contact with KSV in connection therewith, will be presented in the framework of an update report on behalf of the Functionary Officer, after the hearing takes place on June 15, 2016.

understandings were ratified in the Canadian court's decision of May 18, 2016, and the parties have been acting on the basis thereof since then.²

3. The Canadian court also granted suitable orders as follows: (1) an order recognizing the insolvency proceedings taking place in this Honorable Court as the main proceedings in connection with the Company ("foreign recognition proceedings"); (2) an order recognizing the standing of the Functionary Officer as foreign representative on behalf of the Company in Canada, while ratifying the powers granted to him in Israel.
4. In addition, and in accordance with the understandings with KSV pursuant to the collaboration agreement, KSV also applied to the Canadian court in an agreed application in accordance with the CCAA proceedings³. In this framework, the Canadian court was moved to subordinate a considerable number of the subsidiaries in the Urbancorp group under the umbrella of the Canadian insolvency proceedings and to appoint KSV as the functionary officer for all of them (Monitor) - the Canadian court allowed the application.
5. In report no. 3 of the Functionary Officer (of May 20, 2016), the Functionary Officer noted that in the framework of the negotiations about the collaboration agreement, he was updated by KSV that the consent of the controlling shareholder in the Urbancorp group - Mr. Alan Saskin (hereinafter - the "**controlling shareholder**" and/or "**Mr. Saskin**") to the understandings included in the collaboration agreement (which is required in order to institute insolvency proceedings against the subsidiaries, in his capacity as *de facto* manager of the relevant companies) has not yet been received in connection with several other companies holding the EDGE project (which is not one of the backing projects - as defined in the deed of trust). According to Mr. Saskin, as told to the Functionary Officer by KSV, we are dealing with worthless companies and that there is a potential conflict of interest between these companies and the companies in relation to which KSV was appointed. The Functionary Officer requested that all the information in connection therewith be sent to him for his perusal so that he could subsequently make an educated decision on the matter.
6. Since then, discussions have taken place between the Functionary Officer and his representatives in Canada, and the Fuller Landau Group Inc. (hereinafter - "**FL**"), which was offered to serve as trustee in the insolvency proceedings of the EDGE group companies (Bankruptcy and Insolvency Act (BIA)), primarily for the purpose of obtaining information about the financial and assets position of this group of companies.

² See the decision of May 22, 2016.

³ Companies Creditor Arrangement Act.

7. In this framework, it became clear to the Functionary Officer that in the EDGE group's books there is an entry in favor of private companies of the controlling shareholder of a debt balance in a sum of 9.75 million Canadian dollars, in respect of which suspicions arose that involved are amounts that the controlling shareholder undertook, pursuant to the prospectus, to provide to the Company as a shareholders' loan. Following requests for in-depth clarifications and information by the Functionary Officer, it was decided that this amount, like another amount of 2.25 million Canadian dollars (and in the aggregate - 12 million Canadian dollars) would be entered as a shareholders' loan of the Company to its subsidiaries and the entry as a debt to private companies of the controlling shareholder was removed and amended. This also found final expression in the report filed by FL with the Canadian court, where it spread out the state of the EDGE group's debts to the local court.⁴

A copy of the activity report filed by FL with the Canadian court, detailing the EDGE group's creditor situation, including its liabilities to the Company, is annexed hereto as **exhibit "2"**.

8. **Clearly, the Company's standing as a material creditor of the EDGE group companies will give it a material influence on the creditors' arrangement that is expected to be formulated in this group of companies, in addition to the collaboration agreement that was executed between the Functionary Officer and FL, the main principles of which will be detailed below in this report and brought for the Honorable Court's approval.**
9. In the framework of the talks with FL, the Functionary Officer was impressed by the professionalism and integrity of the Canadian trustee - FL; hence, a collaboration agreement was formulated between the parties based on the principles of the collaboration agreement with KSV (which was approved some time ago by the Honorable Court), *mutatis mutandis*. Below the Functionary Officer will detail the main points of the agreement, as follows:
 - 9.1 On June 15, 2016 a hearing is expected to take place in the Canadian court regarding FL's application for ratification of its appointment as trustee for the EDGE group companies and the grant of management powers in accordance with the collaboration agreement. In this framework, the Functionary Officer's standing as representative of the parent company will be recognized and he will be granted suitable legal standing in these proceedings.

⁴ Other issues that arose in the framework of the Functionary Officer's checks and that were raised by other creditors of the group are currently being clarified by FL and their results are being reported to the Functionary Officer in good time.

9.2 FL will routinely update the Functionary Officer on all the aspects and actions relating to the proceedings and their progress. In addition, FL will provide the Functionary Officer with information about any other matter that is reasonably required. Insofar as the information requested by the Functionary Officer is privileged in accordance with the Canadian law, FL undertook to update the Functionary Officer accordingly and apply for suitable instructions from the competent court in Canada. A similar duty of disclosure will also apply to the Functionary Officer vis-à-vis FL.

It was made clear in the understandings between the parties that the disclosure will not apply to materials pertaining to the investigation that the Functionary Officer is conducting in Israel.

9.3 The parties undertook that prior to filing any application in any of the courts that could howsoever prejudice the insolvency proceedings in Israel or Canada, they would notify each other three business days prior to filing such application.

9.4 FL will manage the realization of assets or restructuring for the EDGE group companies, subject to the Canadian court's approval. The realization plan would be designed by FL and the Functionary Officer together. It was also clarified that at any stage of the proceedings, it would be possible to stop and consider additional relevant proposals for restructuring instead of the realization of assets; since the EDGE group companies have material creditors with whom / which these companies are engaged in legal proceedings, it was made clear in the collaboration agreement that FL may consult with other creditors in relation to the realization and arrangement proceedings, insofar as required pursuant to the Canadian law.

9.5 FL will manage the EDGE group companies in the ordinary course of business, and its powers would be in accordance with the powers granted to KSV in the framework of the CCAA proceedings for the rest of the group's companies. Any payment or transfer of monies in an amount exceeding 100,000 Canadian dollars a month and any act or other contract outside the ordinary course of business of the group will be subject to the Canadian court's approval.

- 9.6 The parties undertook to maintain confidentiality with regard to their filing of the various court documents in any of the proceedings until the said applications were made public; the Functionary Officer undertakes to maintain confidentiality in respect of the information that is expected to be received in the framework of the group's restructuring or sale of its assets, with the exception of disclosure to its / his advisors on the case or the Honorable Court and the Official Receiver for the purpose of managing the case and obtaining instructions in connection therewith.
- 9.7 The agreement included a sole jurisdiction stipulation in favor of the Canadian court.
10. **The Functionary Officer believes that in view of the aforesaid, the best option in the circumstances is collaboration with FL and formulation of a joint plan of action with it, with the aim of providing maximum protection for the EDGE group's assets (like the arrangement formulated some time ago with KSV) in a manner that will make it possible to safeguard the rights of the creditors in Canada and in Israel.**
11. As stated at the beginning of this application, the collaboration agreement is subject to the approvals of the Honorable Court and of the Canadian court. Hence, and having regard to the reasons detailed above in this application, the Honorable Court is moved to grant the Functionary Officer approval to contract with FL in the collaboration agreement annexed hereto as **exhibit "1"**.
12. Granting this motion is just and lawful.

(Signed)

(Signed)

Inbar Hachimian-Nahari, Adv.

Evgeniya Gluchman, Adv.

Attorneys for the Functionary Officer for Urbancorp. Inc.

Table of Contents

Number	Name of Exhibit	Page
1	Collaboration agreement with the (proposed) Canadian trustee for the EDGE group companies	1
2	Copy of activity report filed by FL with the Canadian court, which details the EDGE group's creditor situation, including its liabilities to the Company	8

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TEL AVIV - JAFFA DISTRICT COURT

LF 44348-04-16

Reznick Paz Nevo Trusts Ltd

v.

Urbancorp Inc., a Canadian company (2471774), *et al*

Monday June 13, 2016

Application No. 12

Call center: 077-2703333

Confirmation of Filing of Application

It is hereby confirmed that on June 13, 2016 at 16:50 an application was filed of the following type: general, including a notice of application for the grant of instructions, in LF 44348-04-16, Reznick Paz Nevo Trusts Ltd v. Urbancorp Inc., a Canadian company (2471774) *et al*

The number of the application is: 12

The application number should be stated in any communication with the Court in connection with this application.