

**In the Tel Aviv District Court**

**LF 44348-04-16  
Application no. 19  
Before His Honor President Eitan Orenstein**

In Re: **The Companies Law, 5759-1999**

**the Law**

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

**the Compromise or Arrangement Regulations**

And In Re: **Urbancorp Inc., Canadian Company No. 2471774**

**The Company**

And In Re: **Adv. Guy Gissin - temporary officer of Urbancorp. Inc.**

acting by his attorneys, of Gissin & Co., Law Office, 38B Ha'Barzel Street, Tel Aviv 69710, Tel. 03-7467777, Fax. 03-7467700

**The Officer**

And In Re: **The Official Receiver**

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

**The Official Receiver**

**Update Report No. 5 of the Officer**  
**(Concerning activity and legal proceedings taken in Canada,**  
**including for the realisation of assets)**

Further to update report no. 4 that was filed by the officer on July 4, 2016 (application no. 14 in the liquidation file herein), Adv. Guy Gissin, the officer of Urbancorp Inc. (hereinafter respectively referred to as "the officer" and "the company") hereby update the honorable court on the actions and legal proceedings taken in Canada, including in connection with the progress of the proceedings to realise four of the material assets owned by subsidiaries of the company that are expected to yield the company the return of loans and investments in significant amounts.

**A. Introduction**

1. In this report the officer will update the court on the actions and legal proceedings taken in Canada in order to realise four of the company's "backing projects" as defined in the debenture prospectus of December 7, 2015 (hereinafter referred to as "the prospectus" and "the backing assets").<sup>1</sup>
2. An update will also be given on the restructuring and insolvency proceedings (CCAA) in the majority of the companies of the group managed by the "monitor" appointed for those companies in Canada – KSV Advisory Inc. (hereinafter referred to as "KSV"), on extending the appointment of KSV, on proceedings for the realisation of other assets of the company's subsidiaries and more.

**B. The CCAA Proceedings**

3. On August 29, 2016 the Canadian court approved KSV's application to extend the stay period for all the subsidiaries involved in the CCAA proceedings under its supervision until November 25, 2016.
4. On the application of KSV the extension of the stay period is intended to make it possible to complete the sale of the backing assets, to perform the proof of debt proceedings in respect of the subsidiaries and take action to realise other assets of the group, as detailed below.

\* A copy of the Canadian court order of August 29, 2016 is annexed hereto and marked appendix 1.

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<sup>1</sup> The Lawrance project, the Mallow project, the Patricia project and the St. Claire project. The Downsview project was defined in the prospectus as a backing project but the sale proceedings have not yet begun in respect thereof (see also the officer's report no. 4 and it will therefore not be included in the definition of the "backing assets" in this report.

C. **The Proceedings for Realisation of the Backing Assets**

5. As detailed in update report no. 4 of the officer, in June 2016 it was agreed between the officer and the Canadian trustee to undertake a competitive process for the sale of the backing assets through a broker.
6. In accordance with those understandings and at the request of the Canadian trustee, back on June 30, 2016 the Canadian court approved contracting a broker (who was also chosen in a competitive process) and public tender proceedings in respect of the backing assets.
7. In accordance with that approval, on July 4, 2016 information rooms were opened and the process of obtaining offers through the broker began, including direct approaches and public approaches to potential purchasers.
8. Out of more than 180 parties that expressed interest, approximately 140 potential purchasers applied for and (after signing confidentiality agreements), obtained access to the information rooms in which the information in respect of the backing assets was presented, tours were conducted for those interested in the assets and their additional questions were answered.
9. At the end of the offer stage, a total of 46 offers for the purchase of the backing assets were received, as follows: 16 offers in respect of the St Claire; six offers in respect of the Lawrance project; 10 offers in respect of the Mallow project; and 14 offers in respect of the Patricia project.
10. The highest offers that were received in respect of the Lawrance and Mallow assets were approved and deposits were received in respect of them. In respect of the Patricia and St. Claire assets, after a further round of negotiations, the sale process is proceeding towards approval.
11. The sale proceedings in respect of the backing assets are planned to be concluded by mid-October 2016 and their completion is conditioned, inter alia, upon approval by the Canadian court.
12. A summary of the offers that were made for the purchase of each of the backing assets was filed to the Canadian court as a privileged appendix on August 23, 2016 because of concern that disclosure of the information would have a negative effect on completing the proceedings for the sale of the backing assets.
13. As at the date hereof, proof of debt proceedings have not yet been conducted either in respect of the companies that own the backing assets or in respect of other subsidiaries of the company that are included in the CCAA proceedings. Distribution of the proceeds obtained on realisation to the creditors of the relevant companies and the owners of the rights therein (including to the company itself) is conditional upon and will be affected by such proof of debt

proceedings.<sup>2</sup> The proof of debt proceedings in respect of the subsidiaries as aforesaid are expected to be undertaken by KSV in the coming period.

14. On the basis of the information currently in the officer's possession, which is based on information from the company and the subsidiaries (which might alter as a result of such proof of debt proceedings as aforesaid) the proceeds of sale are expected to be adequate to cover the debts of the subsidiaries that own those assets, including by virtue of financing agreements, suppliers' claims, the refund of purchasers' deposits and repayment of inter-company loans.
15. According to the company's reports, the company has provided shareholders loans to the companies that own the backing assets involved in the sale proceedings herein in a total amount of approximately C\$36 million,<sup>3</sup> which are expected to be repaid from the proceeds of sale, subject to the reservations mentioned above. Insofar as a balance remains after covering the proofs of debt that are filed in respect of the subsidiaries, the officer intends to act in order to transfer the balance to the company as shareholder of the relevant subsidiaries.

\* A copy of the application filed in the Canadian court, including report no. 3 of KSV dated August 23, 2016 is annexed hereto and marked appendix 2.

#### D. Proceedings in Connection with Other Assets of the Subsidiaries

16. **KingsClub** – the KingsClub project is a project that is owned in equal shares by a subsidiary of the company, Urbancorp New King Inc (hereinafter referred to as "UNKI") and King Liberty North Corporation (hereinafter referred to as "KLNC"), which is related to First Capital Realty Inc.

The KingsClub project is currently under construction and as detailed in report no. 3 of the officer dated May 20, 2016, it was initially agreed not to include it in the group insolvency proceedings because of KLNC's assertion that it was a solvent company and concern that taking insolvency proceedings in respect of that company would lead to the local lender bank's suspending the project's construction finance. Instead of taking insolvency proceedings, KSV was appointed a member of the project management committee instead of Mr Alan Saskin.

In recent months attempts have been made to realise UNKI's holdings in the KingsClub project, so far without success. As a result, the possibility of taking

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<sup>2</sup> Including compensation claims by apartment purchasers in respect of damages caused to them as a result of the termination of the purchase contracts in addition to the refund of the deposits provided.

<sup>3</sup> An additional amount of approximately C\$10 million has been provided by the company for the Downsview project, which has not been offered for sale and is not included in the definition of the backing assets in this report.

insolvency proceedings in respect of UNKI is being considered in order to realise its holdings in the project in the coming period.

17. **840 St. Claire** – 40% of the rights in the 840 St. Claire project are held by the subsidiary Urbancorp 60 St. Claire Inc. (hereinafter referred to as "60 St. Claire") together with a local partner that owns 60% of the rights. The partnership agreement contains certain restrictions in respect of 60 St. Claire's ability to sell its holdings in the project. Before the insolvency proceedings 13 dwelling units (out of approximately 138 in the project) had been sold, and the deposits provided by the purchasers are held on trust by the project lawyers.

On August 9, 2016 an agreement was made with the local partner for the sale of 60 St. Claire's share of the project, subject to conditions precedent, including approval by the Canadian court and approval to rescind the purchase agreements with the purchasers of the dwellings in the project and refund of the deposits made by them.

Further details in respect of the sale of that asset will be provided on fulfilment of the conditions precedent for completion of the transaction.

E. **Conclusion**

18. In the coming months the officer intends to act in conjunction with KSV in order to proceed with and complete the proceedings for the realisation of the backing assets, other assets of the group and in order to audit and manage the proof of debt proceedings in respect of some of the company's subsidiaries.
19. At the same time, the officer is continuing to extend and intensify the investigation into the circumstances of the company's collapse; and the transactions that were made before its collapse. A detailed report in such respect will be filed to the honorable court, together with a review of the need and ability to take appropriate proceedings (if necessary) against the relevant parties.

(Signed)	(Signed)
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Yael Hershkowitz, Adv.	Sandra Schneider, Adv.
The Officer of Urbancorp Inc.'s Attorneys	

Tel Aviv, August 31, 2016