

**In the Tel Aviv District Court**

**LF 44348-04-16**

**Application No. \_\_\_\_\_**

**Before His Honour President E. Orenstein**

in re: **The Companies Law, 5759-1999**  
**The Companies Ordinance (New Version), 5743-1983**

**the Companies Law**

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

**The company**

and in re: **Adv. Guy Gissin - temporary functionary of the Company**

acting by his attorneys Adv. Yael Hershkovitz and/or Gild Bergstein  
and/or Sandra Schneider of Gissin & Co., Law Firm, 38B Ha'Barzel  
Street, Tel Aviv 69710, Tel. 03-7467777, Fax. 03-7467700

**The functionary**

and in re: **The Official Receiver**

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

**The official receiver**

February 8, 2017 Decision  
Application 32 in case 44348-04-16  
Judge Eitan Orenstein

The position of the official receiver, which is to be  
filed by March 1, 2017, is sought

Personal delivery and follow-up reply by the  
functionary

**Update Report No. 7 On Behalf of the Functionary And Application for  
Directions with Regard to the Proof of Debt Proceedings in Canada**

The functionary hereby files in the honorable court his update report on the proof of debt proceedings that have been conducted in the proceedings herein both in Israel and Canada.

It should be borne in mind that involved is a Canadian company, whose prospectus applies Canadian law with regard to the laws of distribution and insolvency, alongside the application of Israeli law concerning the company's (series A) debenture trust deed (hereinafter referred to as "the debentures") and the application of the Israeli Securities Law, 5728-1968 and the regulations made by virtue thereof.

Such being the case, all the proofs of debt have been considered and decided in accordance with both Canadian and Israeli law.

Furthermore, in this report it will be proposed to adopt special procedures to enable the Canadian creditors of the company to deal with the functionary's debt rulings in accordance with Canadian law and before the Canadian court (apart from the company's controlling shareholder and officers, who have expressly agreed to submit to Israeli law and jurisdiction).

**A. The Proof of Debt Submission Proceedings**

1. On April 25, 2016 the court ordered the appointment of Adv. Guy Gissin as the company's functionary and ordered him, inter alia, to formulate an initial outline of a creditors arrangement for the company (hereinafter referred to as "the appointment order").
2. That decision was recognised by the Canadian court on May 18, 2016, which also approved the conduct of the proceedings herein with regard to the company as "a foreign main proceeding" and recognised the functionary as the foreign representative of the company in Canada.
3. On May 24, 2016 the court ordered the functionary to publish advertisements according to which the company's creditors should file proofs of debt within 30 days, which period was extended until August 5, 2016 by the court's order of June 14, 2016, in order to correspond with the period fixed in the Canadian court's decision. The Canadian court's decision of June 15, 2016 recognised the court order of June 14, 2016.

- Copies of the advertisements that were published in the Israeli and Canadian press on May 29-30, 2016 and June 24, 2016 are annexed hereto as appendices A1 and A2.

**B. The Proofs of Debt That Have Been Submitted**

4. To date 9 proofs of debt have been submitted to the functionary by Israeli creditors and 11 proofs of debt by Canadian creditors, in an aggregate sum of NIS 200,405,635 million [so written in the Hebrew report] (not including conditional claims), the bulk deriving from a proof of debt of approximately NIS 191 million that has been submitted by the debenture trustee on behalf of the series A debenture holders.
5. In addition to the debenture holders, proofs of debt have been submitted to the company in aggregate amounts of approximately NIS 8.5 million (not including conditional claims) by service providers, directors, officers and related companies. Several conditional debt claims have also been submitted to the functionary for indemnification by the controlling shareholder, service providers and officers of the company by virtue of the company's indemnification obligation (hereinafter referred to as "the indemnification claims").
6. In addition, a proof of debt was submitted to the functionary by a former holder of the company's debentures in respect of (alleged) damage on selling the company's debentures at a loss during April, which was rejected as set out below.
7. Below is a summary of all the proofs of debt that have been submitted to the functionary and details of the amount approved in respect of each proof of debt –

<b>Creditor *</b>	<b>Amount Claimed</b>	<b>Nature of Claim</b>	<b>Amount Approved</b>
Shiminov & Co., Advocates	US\$ 10,838	Professional fees for routine legal services provided to the company	US\$ 10,838

\* Translators' note - we have not been able to verify the English spelling of all these names.

	US dollars 20,000	Professional fees for preparing annual reports for 2015	*****
Matri Meiri & Co., Advocates	Up to US\$ 125,000	Professional fees for representing the Israeli directors in the class action Tuvia Fachthold v. Urbancorp Inc. et al (CA 1746-04-16) ("the class action")	Up to US\$ 125,000, subject to the production of invoices
PWC Canada	Can.\$ 34,590	Professional fees for appraisal services / valuation reports	Can.\$ 34,590
Mr. David Mendel (officer/director)	Can.\$ 6,899	Expenses borne by the officer on behalf of the company	Can.\$ 6,899
	Can.\$ 7,440,020	Indemnity claim conditional upon the results of lawsuits brought against him in his capacity as a director of the company	*****
Gentra Real Estate, Inc.	Can.\$ 53,223	Professional fees for valuations of commercial real estate	*****
West Side Gallery Loft, Inc.	Can.\$ 256,791	Payments borne on behalf of the company	Can.\$ 160,000
Urbancorp Toronto Management, Inc (UTMI)	Can.\$ 374,676	Payments for management fees and services and also reimbursement of expenses borne	*****

		on behalf of the company	
Harris Sheaffer, Law Office	Can.\$ 139,080	Professional fees for legal services provided to the company	*****
Homelife Landmark Realty, Inc	Can.\$ 618,000	Commission payments for brokerage services	*****
Coldwell Banker Case Realty	Can.\$ 171,592	Commission payments for brokerage services	*****
Mid Northern Appliance	Can.\$ 715,191, plus interest	Payments for the supply and installation of equipment	*****
Israeli directors, Dr Eyal Geva, Mr Ronen Neker, Ms Daphne Aviram	NIS 221,018	Directors' remuneration – fees	NIS 221,018
	NIS 42.2 million	Indemnification claim – class action	*****
Mr Maaravi Itzhak former debenture holder	NIS 24,484	Damage in respect of the sale of the company's debentures at a loss during April 2016	*****
Apex Issuances Ltd	Unspecified	Claim conditional on the results of a class action in class-action proceedings (Monrov v. Apex) 16552-04-16 by virtue of the company's indemnity obligation	
Mizrahi Tefahot Nominee Co. Ltd	NIS 32,296	Professional fees for nominee company services	NIS 32,296

Reznik Paz Nevo – trustee for the series A debenture holders	NIS 191,553,788	Payments of principal, interest and default interest on the debentures	NIS 186,053,675
	NIS 608,930	Trustee's fees and expenses, including its attorney's professional fees	NIS 608,930, subject to production of invoices
Mr Alan Sasskin	Unspecified	Conditional indemnification claim	*****
KSV, the functionary appointed for some of the subsidiaries and related companies instead of CCAA proceedings ("the monitor")	Unspecified	Unliquidated claim, likely to be based on transactions and/or obligations between the companies of the group before the insolvency	*****

**C. The Proofs of Debt Ruling**

8. On December 1, 2016, the functionary sent notices in respect of full or partial acceptance or rejection both to the Israeli and Canadian creditors, except in respect of the monitor's claim.
  
9. The functionary acknowledged the proofs of debt of the debenture trustee totaling approximately NIS 180 million in respect of the whole debenture principal and also in the sum of approximately NIS 5.5 million in respect of contractual interest to the date of the appointment order. In view of collateral provided for the benefit of the debenture holders, the functionary has recognised the elements of the trustee's proof of debt that have been approved as a secured debt up to the amounts that will actually be obtained on repayment of any of the shareholders' loans provided by the company for the backing assets (as defined in the prospectus).

10. In addition, as at the date of this report the functionary has recognised proofs of debt totaling approximately NIS 2 million<sup>1</sup>, out of proofs of debt of approximately NIS 8.5 million (not including conditional claims), submitted by service providers, officers and subsidiaries of the company.
11. In addition, a proof of debt was submitted to the functionary by a former holder of the company's debentures in respect of (alleged) damage on selling the company's debentures at a loss during April, and also application no. 23 in the proceedings herein for the grant of directions, in which the honorable court was moved to order the functionary to recognize proofs of debt by debenture holders in accordance with the purchase price of the debentures and the loss actually caused to them. In view of the dismissal by the honorable court on January 24, 2007 of the application for directions, the said proof of debt has also been rejected.
12. The ruling on the Israeli proofs of debt has been made in Hebrew and in accordance with Israeli law, and the ruling on the Canadian proofs of debt has been made in English in accordance with Canadian law by the functionary's Canadian attorneys in accordance with the provisions of the debenture issue prospectus, which provided that Canadian law would apply in respect of insolvency.
13. An exception thereto is the proofs of debt of the controlling shareholder, Mr Alan Sasskin and Canadian officers, who in the issue prospectus and also in the trust deed (that was made on December 7, 2015) personally and expressly submitted to Israeli law in insolvency proceedings. Accordingly, those proofs of debt have been considered in accordance with Israeli law, after consultation with the functionary's Canadian attorneys in order to ensure that the choice of Israeli law will be recognised in Canada.
14. The functionary allowed creditors to file an appeal against the proof of debt ruling within 40 days of the ruling, namely until January 15, 2017 in respect of the Israeli creditors and until January 16, 2017 in respect of the Canadian creditors (hereinafter referred to as "the deadline").

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<sup>1</sup> All the amounts in this clause have been computed at the representative rate of exchange (according to the closing rate published by the Bank of Israel) of the Canadian dollar and the US dollar on April 25, 2016, the date of making the appointment order.

D. **Applications and Appeals against the Proofs of Debt Ruling**

15. As at the deadline as aforesaid, the functionary had received several written applications from creditors and one appeal had also been filed in the honorable court by the directors in connection with the proof of debt ruling awarded by the functionary, as detailed below.
16. The Canadian attorneys of the functionary have received four appeals against the debt rulings. As set out in paragraph 24 below, motion is made for the applications and appeals (insofar as existing) against those debt rulings, other than in respect of the controlling shareholder, to be heard by the Canadian court in accordance with Canadian law.
17. The application of one of the Israeli creditors for reconsideration of the debt ruling given to him is subject to the delivery of further information that is needed by the functionary to that end, without the same constituting agreement to an extension in which to file an appeal insofar as sought.
18. On January 15, 2017, notice of appeal was filed in this honorable court against the functionary's ruling in the directors' proofs of debt (MCA 33007-01-17 Neker et al v. Urbancorp), in respect of the rejection of the indemnification claim conditional upon the results of the class action in Tuvia Fachthold v. Urbancorp Inc. et al (CA 1746-04-16). The date for filing the functionary's reply to the appeal has been fixed as February 23, 2017 and the functionary's detailed comments on the allegations in the appeal will be given by the date.
19. Apex Issuances Ltd (hereinafter referred to as "Apex") has filed an application for leave to file a third party notice against the company in the class action approval application made against Apex by another class claimant, Ms Naomi Monrov, in an amount appraised at millions of new shekels (application no. 24). Consequently, Apex applied to the honorable court to defer the date for appeal against the proofs of debt that it filed against the company until the court's decision in the application for leave to file the third party notice (application no. 30). On January 9, 2017 the court allowed the Apex application and held that "... at this stage an extension is granted as sought until other decision". A hearing in the Apex application for leave to file the third party notice against the company has been fixed for March 19, 2017.



E. **The Arrangement of Debt Proceedings**

20. On January 8, 2017 the functionary filed an application for the extension of his appointment and authority to call a creditors meeting in order to approve a debt arrangement in the company during the first quarter of 2017, to enable a distribution of the receipts anticipated on the sale of a substantial proportion of the assets of the company's subsidiaries (hereinafter referred to as "the debt arrangement").
21. The debt data that will be applied for execution and distribution pursuant to the creditors arrangement will be in accordance with the functionaries' rulings in the proofs of debt as aforesaid, subject to the appeals and applications that are still to be considered as set out above. Debt claimants who have not submitted their proof of debt by the said date fixed by law will be precluded from submitting proofs of debt to the functionary, except in circumstances justifying the grant of an extension.

F. **The Relief Sought from the Court**

22. For the purpose of completing the proof of debt and ruling proceedings and making it possible to distribute funds in the scope of the debt arrangement, the court is moved to approve the proceedings that have been performed to date by the functionary, subject to the applications and appeals that are pending before the functionary in Israel and Canada. Further and subject to the court's approval of as aforesaid, motion will be made for those approvals to be recognised in Canada as well.
23. The approval of the Israeli and Canadian courts is also sought for enforcing completion of the proof of debt proceedings by the deadline so that no proofs of debt will remain to be submitted after the deadline, except in respect of claims that have been allowed or in respect of creditors who have applied to the functionary or his Canadian attorneys as set out above.
24. In addition, the court is moved to apply for the assistance of the Canadian court for the purpose of ruling on the appeals by the Canadian creditors (other than the controlling shareholder) in accordance with Canadian law. This is in view of the fact that involved are Canadian creditors of a Canadian company whose prospectus expressly applies Canadian

insolvency law and in order to enable the Canadian creditors a practical opportunity to appeal against the proof of debt rulings without having to conduct legal proceedings in Israel. Exceptions thereto are as aforesaid in respect of the company's controlling shareholder and officers who have submitted to the application of Israeli law and jurisdiction.

(Signed)

(Signed)

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**Adv. Yael Hershkovitz**

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**Adv. Sandra Schneider**

**Counsel for the Functionary of Urbancorp. Inc.**

**Tel Aviv, this 8th day of February 2017**