

**In the Tel Aviv District Court**

**LF 44348-04-16**

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

**Before His Honor 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 - the Company's functionary**

acting by his attorneys Advs. Yael Hershkovitz and/or Gilad 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**

## **Update Report No. 8 On Behalf of the Functionary And Application To Extend the Functionary's Appointment**

Further to the details furnished in the application to extend the Functionary's appointment and to grant an order to convene a creditors' meeting (application no. 29) of January 8, 2017 (hereinafter - "**application no. 29**"), the Functionary respectfully updates the Honorable Court on the progress in the proceedings in Canada, and the sources that were available to the Company for the purposes of a distribution to its creditors in the framework of the proposed debt arrangement, which will be published by the Functionary as detailed below in this report. Application is also made to extend the Functionary's appointment until July 21, 2017, in order to enable approval and promotion of the debt arrangement in the Company, as detailed below.

### **A. The information presented in this report**

1. The information presented in this report is based on financial information that has not been reviewed or audited, which was obtained from the books of the Company and the subsidiaries. This information was furnished to the Functionary, after an enquiry and demand by him and in accordance with the collaboration minutes signed between him and the functionaries appointed by the court in Toronto<sup>1</sup>, who are managing the subsidiaries in arrangement proceedings (CCAA - Companies' Creditors Arrangement Act). The Functionary and his representatives in Canada are working on an ongoing basis and obtaining information from the Canadian functionaries and their representatives. Nonetheless, to date it has not been possible to perform an audit or verify all the information that has been furnished and hence all the information is subject to further inspections.
  
2. As detailed in the body of the report and the appendices thereto, some of the information furnished is forward-facing information, especially with regard to proceedings for the realization of assets and rights on the one hand, and enquiring into and deciding the rights of the creditors of the group's various companies, on the other hand. As described below, these proceedings have not yet come to an end. The information in this report is based on the reasonable assessments of the Canadian functionaries regarding the scope of the disputed claims that might be allowed / rejected against the group's subsidiaries. Hence, we are dealing with information and assessments, the certainty of realizing

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<sup>1</sup> See appendix 1 to report no. 3 of May 20, 2016 and appendix 1 to the application for the grant of instructions of June 13, 2017.

which is subject to doubt for the reason that they are dependent, *inter alia*, on external factors and foreign law, over which the Functionary has limited influence.

3. It is expressed that the inclusion in this report of the information furnished by the Canadian functionaries does not constitute consent and/or approval by the Functionary in respect of the amounts, working assumptions and/or assessments included therein, and the Functionary is reserving all his rights and claims in relation to all such information.

**B. Expected receipts from the sale of assets of the subsidiaries in the general insolvency proceedings**

4. As detailed in the previous update reports, most of the Company's subsidiaries are managed by KSV Kofman Inc., the Canadian functionary which is managing the creditors' arrangement proceedings (CCAA - Companies' Creditors Arrangement Act) in these companies (hereinafter - the "**monitor**" and "**general insolvency proceedings**").<sup>2</sup>
5. In the framework of the general insolvency proceedings, the Functionary submitted debt claims against the relevant subsidiaries that are being managed by the monitor in an aggregate amount of approx. 57.7 million Canadian dollars. Since according to the Functionary the capital-raising from the issue of the series "A" bonds (hereinafter - the "**bonds**") that were issued by the Company in Israel in December 2015 was aimed primarily at repaying the subsidiaries' debts, the debt claims that were submitted also include the loading of a pro rata share of the costs of raising the monies that were transferred to the subsidiaries, including the costs of raising the bonds (see details in update report no. 6 of November 10, 2016). In addition, also claimed in the framework of the debt claims were, *inter alia*, all the enforcement expenses in Israel and in Canada and a demand to receive any capital value remaining in any of the subsidiaries (after the performance of their obligations).
6. Correct as at the date of this report, the Functionary's debt claim was approved in a sum of only approx. 37 million Canadian dollars in the framework of the

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<sup>2</sup> To complete the picture, it is noted that in accordance with the Canadian court's decision of December 14, 2016, in light of the existence of various trust agreements between the group's subsidiaries, the insolvency proceedings for most of these companies will be managed as one piece). Hence, all the debt claims against most of these companies are being submitted in the framework of the general insolvency proceedings, and the proceeds from realization of the assets as detailed below are being used to pay most of the relevant subsidiaries' debts in the framework of the general insolvency proceedings.

general insolvency proceedings, and another approx. 10 million Canadian dollars was approved in connection with a shareholder's loan that the Company provided to the Downsview project, which as detailed below is not included in the general insolvency proceedings. The lion's share of the amount approved is attributed to the monies from the shareholders' loans that were transferred by the Company to the subsidiaries from the proceeds of the bonds' issue. The Functionary and the monitor each agreed to each reserve their arguments in relation to the debt claim amounts that were not approved, having regard to the fact insofar as the Company is entitled to repayment of the capital value remaining (if at all) from these companies, it might become unnecessary to hear some of the disputes between the parties in such regard.

"1" A copy of the debt claims that were submitted by the Functionary and the monitor's notice regarding their partial allowance are annexed as **appendix 1**.

7. As noted in application no. 29, four of the five backing projects, which are primary assets of the Urbancorp group of companies (hereinafter - the "**group**"), and the cash flow surplus of which were supposed to serve the debt to the Company's bondholders (hereinafter - the "**backing assets**"),<sup>3</sup> were sold in recent months in the framework of the general insolvency proceedings, and the overall proceeds from their sale amount to a sum of approx. 76.5 million Canadian dollars, which are deposited, as at the date of this report, in accounts held by the monitor.
8. Also sold were rights of the Company in several housing units that are co-owned by the Company's subsidiary 60 St. Clair (hereinafter - "**St. Clair**") (at a rate of 40%), the total receipts from the sale of St. Clair to the relevant subsidiary amounting to approx. 1.9 million Canadian dollars.
9. In addition, as detailed in application no. 29, the Company's subsidiaries Urbancorp Residential Inc. and King Residential Inc. are currently realizing holdings in 28 housing units owned by them. Having regard to the conditions on the Toronto housing market, and so as not to detrimentally affect the value of the units, these dwelling units are being realized gradually by the offer of a limited number of units for sale in each stage. Correct as at the date of this report, the sale of two units has been completed, the sale of another four units is subject to the execution of an agreement and is expected to be completed in the

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<sup>3</sup> The backing assets are the Lawrance, Mallow, Patricia and Caladonia projects. The Downsview project is also defined in the prospectus as a backing project but it was not sold in the framework of the sale proceedings detailed above, and will be discussed subsequently.

coming weeks and about five more units will be offered for sale in the coming month. According to the information furnished to the Functionary, the housing units' sales is progressing satisfactorily and the prices that are being offered are higher than expected. The net proceeds expected in the subsidiaries from the realization of these assets (after the repayment of mortgages and payment of expenses) are not expected, accordingly to the information furnished to the Functionary, to be more than 2 million Canadian dollars.

10. According to information furnished to the Functionary, after the payment of mortgages, professional fees to the relevant date and the loan that was provided to finance the management of the general insolvency proceedings, the proceeds from the realization of the backing assets and St. Clair will amount to an overall sum of approx. 64.7 million Canadian dollars (hereinafter - the "**asset realization receipts**").
11. From the asset realization receipts, the monitor has long since realized the debt claims of home purchasers (in respect of the return of deposits) and suppliers in an aggregate sum of approx. 15.5 million Canadian dollars.
12. According to the information furnished by the monitor to the Functionary, he intends keeping reserves in a sum of approx. 9.2 million Canadian dollars for payment of the disputed debt claims (hereinafter - the "**disputed claims**"), another sum of approx. 10 million Canadian dollars for payment of the tort debt claims of home purchasers (as distinct from the claims for return of the deposits paid by them as detailed above) (hereinafter - the "**home purchasers' claims**") and another sum of approx. 10 million Canadian dollars for the purpose of continuing to finance the general insolvency proceedings (hereinafter - the "**financing expenses**"), as detailed in Chapter D. below.
13. There are also claims of Tarion Warranty Corporation - the Canadian home builders' insurance organization (hereinafter - "**Tarion**"), in a sum of approx. 2.6 million Canadian dollars, which were rejected by the monitor. Negotiations are taking place between the parties for the consensual withdrawal of Tarion's claims. The assessment is that on the return to the home purchasers of the deposit monies, which are part of the claim amounts that were recognized as detailed in paragraph 11 above (which is expected to take place on the coming weeks), the parties will reach consent regarding the withdrawal of Tarion's claim as aforesaid.

14. In accordance with the aforesaid, the monitor proposes making, at this stage (and subject as aforesaid to consent with Tarion), an interim distribution of the asset realization receipts, such that the amount transferred to the Company will be in a sum of approx. 20 million Canadian dollars (hereinafter - the "**interim distribution**"), simultaneously with the return of the home purchasers' deposit monies as aforesaid. An application to make an initial distribution as aforesaid is expected to be filed with the Canadian court in April, for its approval, and the distribution will actually be made in May 2017, before completion of all the debt claim proceedings and realization of the assets in the general insolvency proceedings.
15. A hearing of the home purchasers' claims has been fixed for April 13, 2017 in the Canadian court. In a nutshell, the home purchasers' claims relate to damages occasioned to them in consequence of non-completion of the homes that they purchased, their argument being that the return of the deposits paid by them does not compensate them for their damages, especially having regard to the increase in prices of the housing units in Toronto. Following the said hearing, an enquiry is expected into the scope of the home purchasers' claims. According to the information furnished to the Functionary, the reasonable assessment is that a decision in such regard will be given by the end of April, and will be subject to appeal within 21 days. After and in accordance with completion of the enquiry into the home purchasers' claims (including the appeal), which one can reasonably expect to be completed at the end of June, an enquiry will take place regarding additional possible distribution amounts from the amount (in a sum of 10 million dollars), which will be retained by the monitor pending an enquiry into the home purchasers' claims as detailed in paragraph 12 above.
16. The assessment is that the balance of the disputed claims (as defined above) will be clarified at the end of May; however, a hearing date has not yet been fixed. In accordance with the decision on the balance of the disputed claims, an enquiry will take place into the additional distribution amount that the monitor may distribute from the amounts retained pending an enquiry into the disputed claims as detailed in paragraph 12 above.
17. The additional amounts remaining in the fund at the current stage are aimed at guaranteeing sources for financing the expenses of the general insolvency proceedings in the future and *inter alia* enabling management and realization of the additional assets in the group and first and foremost the Downsview project and the geothermal assets, as detailed at length below.

18. With regard to the Kings Club project, as detailed in application no. 29, involved is a project that includes three residential and commercial buildings, which is co-owned in equal shares with the First Capital Reality Co. group. The project's construction is expected to be completed in 2018; however, correct as at the date of this report, it is not clear what are the expected values to the Company from the realization of its share of the project (if at all). As detailed in application no. 29, the value of the Company's holdings in the project is apparently significantly lower than the reference thereto in the Company's prospectus of December 2015. The circumstances of the reduction in value as aforesaid can be found in the Functionary's investigation and check.

"2" A copy of the monitor's forecast regarding receipts and expected distributions to the Company from the proceeds from the sale of the backing assets and St. Clair is annexed hereto as appendix 2.

## C. Expected receipts from the Edge group

### C.1 General

19. As detailed in application no. 29, the Edge group of companies, which primarily includes the subsidiaries' holdings in the Edge project (hereinafter - the "**Edge group**"), is managed separately by another Canadian functionary, The Fuller Landau Group Inc. (hereinafter - the "**Edge monitor**") in the framework of CCAA proceedings that are being managed in relation to companies included in the Edge group.

20. On January 25, 2017 the Functionary filed a debt claim with the Edge monitor in a sum of approx. 17 million Canadian dollars, for inter-company loans. This debt claim includes a sum of approx. 12 million Canadian dollars that was transferred for the purposes of VAT payments in relation to the Edge group's assets.

21. In accordance with investigations and checks performed by the Functionary, involved are the same 12 million dollars that the controlling shareholder undertook to inject into the Company as a shareholder's contribution. In an immediate report published by the Company on March 10, 2016, and signed by Mr. Saskin, it was noted that: "**a sum of 12 million Canadian dollars was deposited in the Company's account on March 10, 2016**".

22. In fact, in accordance with the Functionary's investigations, the said amount (hereinafter - the "**shareholder's contribution**") was not deposited in the Company's account, but was unlawfully transferred, directly by the shareholder, to the Canadian tax authorities, for the purpose of VAT (HST) payments in respect of the Edge project, for which Mr. Saskin was apparently personally liable.
23. On March 3, 2017 the Edge monitor approved a sum of approx. 16.5 million Canadian dollars from the debt claim submitted by the Functionary. The balance of the debt claim, in a sum of **approx. 0.5**, which was not recognized by the Edge monitor, is in respect of attribution of the pro rata share of the subsidiaries in the Edge group to the costs of raising the monies that were transferred to the subsidiaries, including the costs of issuing the bonds. The Functionary reserved all his pleas in such regard.
- "3" A copy of the debt claims that were submitted by the Functionary, the Edge monitor's notice of their receipt (almost in full) are annexed as **appendix 3**.

## **C.2 Realization of the housing units**

24. As detailed in previous update reports, on December 16, 2016 the Canadian court approved a transaction for the realization of 21 housing units (from 34 units owned by the Edge project). Approval was also granted for the gradual realization of the balance of the housing units, in order to maximize their price.
25. According to the Edge monitor's assessment, the consideration for the sale of all the housing units owned by the subsidiaries in the Edge group is expected to amount to approx. 12.6-13.4 million Canadian dollars.
26. The Edge group does not have additional significant assets to realize, save for a possible right in public areas of the Edge project, in respect of which negotiations are being conducted with the City of Toronto, the details of which are confidential at this stage, and save for rights of action as detailed in Chapter C.3 below.
27. According to information furnished to the Functionary, distribution of receipts from the sale of housing units by the Edge monitor is not expected, before the completion of proceedings for the sale of all the units and the debt claim proceedings in the Edge group, the expected completion of which has not yet been notified to the Functionary.



- "4" Details of the expected receipts from Edge's assets compared with the amounts of the creditors' debt claims that were submitted and/or recognized is annexed as **appendix 4**.

### **C.3 Legal proceedings against third parties**

28. Following the Functionary's demands, and approval of the creditors' committee that was established in the Edge group<sup>4</sup>, the Edge monitor agreed to communicate with the VAT authorities in Canada in order to demand return of the shareholder's contribution monies that were transferred for the purpose of paying VAT (see paragraph 21 above), *prima facie* unlawfully and while preferring creditors. According to information furnished to the Functionary, an application for the return of these contribution monies is expected to be filed in the coming weeks.
29. Following investigations and checks made by the Functionary by arrangement with the Edge monitor, the creditors' committee gave the Edge monitor approval to also institute legal proceedings against the unlawful transfer of housing units in the Edge project, to private creditors of the controlling shareholder, in the months preceding the companies' collapse. A suitable application in such regard is also expected to be filed imminently. According to information furnished to the Functionary, a decision is expected within about 6-9 months of the filing date.

### **D. Realization of additional assets**

30. Simultaneously with realization of the backing assets, the housing units and St. Clair, and with the aim of obtaining additional amounts for the Company's fund, the Functionary is acting simultaneously, in collaboration with the Canadian functionaries, to examine possibilities for advancing realization of the balance of the group's assets.

#### **D.1 The geothermal assets**

31. As detailed in application no. 29, the geothermal assets owned by the group are in fact rights to benefit from use fees for heating and cooling systems that were installed in residential buildings. The use fees are payable by the cooperative

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<sup>4</sup> Of which the Functionary's representative in Canada is a member.

house corporations in which the systems are installed. Geothermal assets as aforesaid are held by several subsidiaries in the group. The set of agreements with the cooperative house corporations was executed for a period of 20 years plus two extension options for an identical period. The valuations given for the geothermal assets that were included in the prospectus were based on capitalization of the cash flow from these assets for a period of 60 years, and were denominated in an overall value of approx. 44 million Canadian dollars, correct as at June 30, 2015, which was attributed to the four geothermal assets held by the group's companies.

32. However, checks performed by the Canadian functionaries regarding the possibilities for realizing these assets revealed that the value determined for the geothermal assets in the prospectus is unrealistic and that transactions with assets of such type (and *a fortiori* potential transactions) do not support these estimates. It also transpired that transfer of the rights in the geothermal assets to the Company's subsidiaries had not been completed, and that the structure of ownership and rights therein required complex legal and accounting clarification that was not yet complete. Moreover, with regard to most of the geothermal assets, legal proceedings are ongoing with the cooperative house corporations, in the framework of the **home associations'** claims regarding the exorbitant prices (according to the cooperative house corporations) that are charged for the use of these systems. In some of the cases the corporations stopped payments or demanded to deposit the monies with a trustee, and collection proceedings were instituted against them.
33. Correct as at today, an initial check is being made and talks are being held with various interested parties, to clarify the possibility of selling the group's holdings in all the geothermal assets. The conclusions from the aforesaid check are expected to be formulated at the end of April, and in any event any realization transaction as aforesaid will be subject to the Canadian court's approval. In the Functionary's assessment, material progress in the assets' realization will involve completion of the claims and collection proceedings against the cooperative house corporations as detailed above.
34. In light of the aforesaid, the Functionary cannot at this stage assess the expected date of the geothermal assets' realization and/or their realization values.

## **D.2 Downsview project**

35. As mentioned in application no. 29, the Downsview project is a construction development project that is held by a subsidiary of the Company - Urbancorp Downsview Park Development Inc. (hereinafter - "**UC Downsview**"), at a rate of 51%, together with Mattamy (49%). Mattamy is also the project's development and construction manager.
36. In connection with the project, there is an agreement with BCIMC Construction Fund Corporation for construction financing in an overall sum of approx. 225 million Canadian dollars (hereinafter - the "**financing agreement**"), and an agreement with the partner Mattamy, pursuant where to Mattamy is also providing financing in respect of UC Downsview's share of the equity required pursuant to the financing agreement. For providing UC Downsview's share of the equity required pursuant to the financing agreement, the latter is liable to pay annual interest of 15%, in accordance with the Canadian court's approval.
37. According to information furnished to the Functionary, it can be assessed that UC Downsview's holdings in the project are expected to be of considerable value, on completion of the project's development and construction.

Nonetheless, in light of the desire to complete payment of the debts of the group's subsidiaries in the foreseeable future, and in light of the high financing costs for which UC Downsview is liable in respect of provision of the equity required of it by Mattamy, the Functionary is checking various possibilities for the realization of UC Downsview's holdings in the project, even before the completion of its development. The Functionary has received an initial show of interest by a third party with regard to such possibility.

38. Realization as aforesaid is of course subject to obtaining the consent of third parties as provided in the agreements signed by UC Downsview in connection with the project, to the execution of an orderly process and to the approvals required from the Canadian court.
39. In light of the aforesaid, the Functionary cannot at this stage assess the expected date for realization of the Company's holdings in UC Downsview and/or the expected realization values.

**E. Debt claim and legal proceedings against TCC Bay**

40. As detailed in application no. 29, pursuant to the bonds' issue prospectus (hereinafter - the "**prospectus**"), the controlling shareholder and his family undertook to assign to the Company their right to receive loans from corporations held by them, in a sum of 8 million Canadian dollars (hereinafter - the "**assignment of rights**").
41. Effectively, the assignment of rights took place in the form of an undertaking of TCC / Urbancorp (Bay) Limited Partnership (hereinafter - "**TCC Bay**"), a private company owned by the controlling shareholder and his wife, to pay another company owned by the controlling shareholder (Urbancorp Toronto Management Inc.) a sum of 8 million Canadian dollars. This undertaking, which as *prima facie* embodied in a promissory note, was assigned to the Company in December 2015 as part of the controlling shareholder's obligations in connection with the bonds' issue.
42. TCC Bay, which is not one of the companies which were transferred to the Company's ownership, is also in insolvency proceedings that are being managed by KSV Kofman Inc. as functionary ('monitor') (hereinafter - the "**TCC monitor**"). The TCC monitor acted for the realization of TCC Bay's assets, and according to information furnished to the Functionary, contracts were executed for the sale of the assets in considerable amounts. According to the current information that the Functionary has, these amounts should enable payment of a decisive majority of TCC Bay's debts, including the debts that were assigned in favor of the Company by virtue of the assignment of rights.
43. The Functionary submitted a debt claim to the TCC monitor in a sum of approx. 8 million dollars by virtue of the assignment of rights. This debt claim was rejected in full by the TCC Bay monitor on December 9, 2016. The outcome of the debt claim's rejection as aforesaid is an expected payment of millions of dollars, in favor of companies under the control of the controlling shareholder and his family, who hold TCC Bay's shares.

Since the debt claim's rejection to the date of this report, the Functionary has been negotiating in such regard with both the TCC monitor and with the controlling shareholder and his attorneys.

44. According to the TCC monitor, based on the information in his possession, at the basis of the rights assigned to the Company there was no real liability to the

assigning company (which was also owned by the controlling shareholder), and hence TCC Bay's liability to the Company is not valid.

- "5" A copy of the TCC monitor's rejection notice is annexed as appendix 5.
45. In his answer to the debt decision, the Functionary dwelt (*inter alia*) on the fact that the Company is a "holder in due course"; because the Company gave significant value against the assignment of rights in the framework of the issue; because according to information furnished to him, there was a genuine obligation at the basis of the assigned obligations; and because it would not be fair, moral or correct to allow the controlling shareholder and his family to benefit from capital receipts from TCC Bay instead of paying them to the Company, not to mention that to the best of the Functionary's knowledge, the controlling shareholders are not denying their obligation and the debt's assignment, which was a condition for the issue of the bonds by the Company.
46. The Functionary contacted the attorneys of Mr. Saskin and his wife and made it clear that the TCC monitor's position expressly contradicted the representations made in the framework of the issue prospectus, as well as the information given to the Company's board of directors, ISA and other entities. Hence, the aforesaid were asked to urgently transfer to the TCC monitor the information required for the purpose of giving full validity to the assignment of rights, and to agree (insofar as the debt claim was not recognized) to the assignment to the Company of all their rights in proceeds reaching them from TCC Bay, such that the Company and not Mr. Saskin's family, would benefit from the surplus proceeds from the sale of TCC Bay's assets (up to the amount of the rights assigned in December 2015), by virtue of the assignment of rights).
47. Correct as at the date of filing this report, the consent of the controlling shareholder and his family to the Functionary's demands has not yet been received.
48. Subsequently to the aforesaid, on February 24, 2017 the Functionary filed an application with the Canadian court, in which it moved the court to approve the assignment of rights' validity, or alternatively to direct that the first receipts from the proceeds from the sale of TCC Bay's assets that reach **its shareholder, which is owned by Mr. Saskin's wife**, be held on trust in favor of the Company, and paid to the Functionary for the Company.

49. The hearing of the Functionary's application in the Canadian court has been fixed for May 6, 2017.
50. The Functionary is simultaneously considering instituting further legal proceedings to protect the rights of the Company and its creditors, including in such regard.
- "6" A copy of the Functionary's answer to the monitor's rejection notice and the application that was filed with the Canadian court of February 24, 2017 are annexed hereto as **appendix 6**.

**F. Investigations and possibilities for instituting proceedings and claims against third parties**

51. The Functionary is continuing to carry out investigations and formulate conclusions regarding the involvement and liability of various entities in the Company's management before, during and after the raising of the bond proceeds by it.
52. In the framework of these investigations, besides checking the liability and acts of the controlling shareholders (for example - see Chapter C. above) and those working on their behalf, checks are also being carried out, *inter alia*, of the involvement and liability of various creditors of the controlling shareholder and the companies under his control which as a result of the bond-raising managed to get back millions of dollars on account of debts the prospects of collecting which from the controlling shareholder and the companies under his control were very problematic.<sup>5</sup>
53. In addition, the liability of various service providers and professional consultants, financial, legal and accounting, in Canada and in Israel, before, during and after the bonds' issue, is also being reviewed.

Investigation reports and applications to approve the institution of legal proceedings will be filed separately.

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<sup>5</sup> Headed by an entity by the name of Terra Firma Capital Corporation and entities related to it, which, according to information received by the Functionary, were the principal beneficiary from payment of the debts of the Company and the subsidiaries from the issue proceeds, in an aggregate amount of approx. 41 million Canadian dollars.

**G. Progress in handling approval of the creditors' arrangement for the Company and various other matters**

**G.1 Creditors' arrangement**

54. Further to the Court's approval of January 9, 2017 of application no. 29, the Functionary intends calling a creditors' meeting for approval of the proposed creditors' arrangement plan, which will include primarily distribution of the asset realization receipts, on their receipt.

55. The proposed arrangement is expected to be published in the coming weeks in Hebrew and in English and will be raised for approval by the meeting of the Company's creditors to be held simultaneously in Israel and in Canada as detailed in report no. 7 of the Functionary of February 8, 2017, apparently in May 2017.

**G.2 Tax refunds**

56. In March 2017, the Canadian functionary filed an application for tax refunds in the Company's name in respect of the period from June 19, 2016 to December 31, 2015.

57. On January 13, 2017, the Functionary filed an application for a VAT refund in the sum of approx. 228,000 Canadian dollars. In the assessment of the Canadian functionary's consultants, the VAT authorities' decision on the application is expected to be given within approx. three months of being filed.

**G.3 The Canadian proceedings' financing**

58. On March 14, 2017, the Canadian court gave its approval for continued financing of the legal proceedings in Canada from monies of the subsidiaries in the framework of the general insolvency proceedings, in accordance with the financing agreement executed in such regard with the monitor. Pursuant to the provisions of the financing agreement, the Functionary needed the Canadian court's approval when the costs of the proceedings (including legal advisors, a financial consultant and the reimbursement of routine expenses) exceeded 1 million Canadian dollars.

59. In light of the Canadian court's approval as aforesaid, the Official may continue financing the ongoing costs of the Canadian proceedings (in accordance with the

agreements that were approved in these proceedings) through the monies received from the realization of assets of the Canadian subsidiaries in accordance with the terms and conditions of the financing agreement, and up to an overall sum of 1.9 million Canadian dollars.

"7" A copy of the Canadian court's order of March 14, 2017 is annexed hereto as **appendix 7**.

#### **H. Extension of the Functionary's appointment**

60. In order to enable the Functionary to act to obtain approval for the proposed creditors' arrangement, as detailed above, and to execute it, the Functionary is respectfully filing, in good time, an application to extend his appointment in accordance with the appointment order given on April 25, 2016 (hereinafter - the "**appointment order**"). The extension is requested for a period of 90 days, from the end of the current appointment extension period, April 21, 2017 (in accordance with the Honorable Court's decision on application no. 29 of January 9, 2017) to July 2, 2016.

61. The special reasons underlying the Functionary's application to extend the appointment period beyond nine months in accordance with the provisions of section 350B of the Companies Law, 5759-1999, are as follows:

(a) Involved is a company which was incorporated and registered pursuant to the Canadian law, which issued securities in Israel and which, notwithstanding its prospectus, is governed by two sets of laws (Canadian and Israeli). Moreover, the presence of the Company's assets in Canada imposes additional restrictions by virtue of the Canadian law, as detailed below. The need for conduct and approval on a regular basis in two legal systems and/or pursuant to two sets of laws creates significant complexity.

(b) The Canadian court recognized the powers of the Functionary in accordance with the appointment order, and this was also the basis for the approval of collaboration minutes with the Canadian monitors; it is feared that non-extension of the appointment and/or the existence of the liquidation proceedings will cause the expiration of and/or require at least renewed approval and recognition of the Functionary's powers. The Functionary was also informed by the Canadian attorneys that a Canadian



company may only be liquidated by a Canadian functionary with a suitable license.

- (c) Correct as at the date of filing this application, it has not yet been possible to distribute all the asset realization receipts, as detailed above, in consequence of the existence of disputed debt claims in the framework of the general insolvency proceedings. These distributions are expected to be made gradually in accordance with the manner and timetables of clarifying the disputed claims in the framework of the insolvency proceedings of the group's subsidiaries, as detailed above.
- (d) Correct as at the date of this application, proceedings are taking place and/or are being considered for the realization of additional assets and rights of the Company, in the framework of the general debt arrangement proceedings and in the framework of the Edge group proceedings, which together might lead to a significant contribution to the Company's fund.

(Signed)

(Signed)

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Yael Hershkovitz, Adv.

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Gilad Bergstein, Adv.

Attorneys for the Functionary of Urbancorp. Inc.

**Tel Aviv, March 30, 2017**