

In the Tel Aviv District Court

LF 44348-04-16

**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 trustee for implementation of the Company's
 creditors arrangement**

by his attorneys, Advs. Yael Hershkovich and/or Gilad Bergstein and/or
Michael Missul, of Gissin & Co., Advocates, 38B Habarzel Street, Tel
Aviv 69710, Tel. 03-7467777, Fax. 03-7467700

The Functionary / Trustee

and in re: The Official Receiver

of 2 Hashlosha Street, Tel Aviv, Tel. 03-6899695, Fax. 03-7467558

The Official Receiver

**Update Report No. 12 on behalf of the Functionary - Trustee for the Execution of
the Creditors Arrangement - Activity in Canada and Acts following the
Arrangement's Approval**

Further to update report no. 11 (application no. 46), Adv. Guy Gissin, as functionary / trustee for execution of the creditors arrangement for Urbancorp Inc. (hereinafter respectfully - the "**Functionary**" and the "**Company**"), is respectfully updating the Honorable Court as follows:

A. Approval of the creditors arrangement and the interim distribution

1. As will be recalled, on September 26, 2017 the Honorable Court gave a judgment approving the creditors arrangement formulated by the Functionary, while appointing Adv. Guy Gissin as "trustee for the creditors arrangement, who shall act to implement the provision of the creditors arrangement as provided therein, including distribution of the dividend to creditors and as provided in the judgment" (application 42) (hereinafter - the "**arrangement's approval**").

2. In accordance with the Honorable Court's decision in the framework of the arrangement's approval, on September 27, 2017 the Functionary transferred to the secured creditor - the trustee for the Company's series "A" bondholders - Reznik, Paz, Nevo Trusts Ltd (hereinafter - the "**Trustee for the Bondholders**"), a sum of NIS 57 million as a first interim distribution, plus NIS 0.5 million provided by the Trustee for the Bondholders as financing for the Functionary for the benefit of these proceedings, from the expenses cushion deposited with the Trustee for the Bondholders.
3. An additional sum of NIS 13 million that the Functionary wished to distributed remained, in accordance with the Honorable Court's decision of September 26, 2017, in the arrangement fund, until a decision on the application of Mr. Tuvia Pechthold for recognition of his standing as a secured creditor, which he must file by November 1, 2017, and subject to his signature of a personal undertaking for the payment of any damage that might be occasioned as a result of a delay in the distribution of this amount.
4. On September 28, 2017 an application was filed on behalf of the Trustee for the Bondholders, to order Mr. Pechthold to deposit an adequate guarantee as a condition for delaying the monies' distribution (application 47). In accordance with the Honorable Court's decision of September 28, 2017, Mr. Pechthold and the Functionary must file a reply to this application by October 29, 2017.

B. **The checks and proceedings taking place in Canada with respect to the use of the Edge group of subsidiaries' monies**

5. On September 26, 2017 the Canadian lawyers for the Functionary contacted the lawyers for the Fuller Landau Group, the Canadian monitor appointed to manage the Edge group's assets (hereinafter - the "**Edge monitor**"), with a demand to postpone the hearing on the application for approval of the professional fees of the aforesaid in the framework of the Edge group's management proceedings, which was filed in the framework of a report to the Canadian court of September 22, 2017. The Functionary requested to postpone the hearing on this application until receipt of the details and information required with respect to the payment of professional fees to the Edge monitor and payment of the expenses paid out by the aforesaid from the Edge companies' fund.
6. The information required relates both to charges that the Edge monitor is seeking to impose on the Edge companies group (of which the Company is the owner and one of its main creditors), and to payments in a sum of about 300,000 dollars made by it to the firm of Bennett Jones, which also serves as the personal attorney of Mr. Saskin (for whom the Edge monitor serves separately also as trustee in his personal bankruptcy proceedings), without the Edge monitor being furnished with adequate details and references with respect to the services

provided by Bennett Jones and that entitled the firm to professional fees as aforesaid from the Edge companies.

7. In the letter of demand sent by the Functionary (through his attorney in Canada) to the Edge monitor, clarifications were demanded with respect to the Edge monitor's participation in proceedings instituted by him in Israel and with respect to the manner of financing these proceedings.
8. As will be recalled, in the framework of the answer to the Functionary's reply to the joining application of the Fuller Landau Group of February 28, 2017 (application no. 33), the attorney for the undersigned stated that they would join the proceedings **in their capacity as the trustee on bankruptcy for Mr. Saskin: "the First Applicant in the joining application is the Fuller Landau Group (the "Canadian trustee") - which *inter alia* serves as proposal trustee of Mr. Alan Saskin, the Company's controlling shareholder, in the framework of the bankruptcy proceedings that are being conducted against him in Canada; and which effectively represents the interests of the collective creditors of Mr. Alan Saskin"** [our emphases]. It is not without reason that the Honorable Court saw fit to determine that "the standing of the Canadian trustee should be considered the same as that of the shareholders. We are dealing with an entity which holds the Company's shares, in a chain or directly, including the fact that the Canadian trustee is the monitor on bankruptcy of the debtor, who is the controlling shareholder in a chain of the Company (hereinafter jointly¹ referred to as the "shareholders")."²
9. In this answer the attorney for the Fuller Landau group also strongly objected to the Functionary's request for information about the sources of financing these proceedings and/or the relationship between the Canadian trustee and the rest of the joining applicants which are companies owned by members of the Saskin family, and even pleaded that the request for information is defective, especially given that the request is being raised on behalf of the Functionary.
10. However, on September 22, 2017 the Edge monitor filed an application with the Canadian court for the approval of his fees and extension of the period of suspension of the proceedings with the Canadian court as Edge monitor (hereinafter - "**professional fees approval application**"), **which included charges for its activity in the framework of these proceedings in Israel (which should have been executed in its capacity as trustee on bankruptcy of the controlling shareholder). Thus, the acts done by the trustee on bankruptcy of the controlling shareholder against the Company and its creditors are at least partially financed from monies belonging to subsidiaries of the Company which ultimately should be paid to their creditors (the Company being one of them), and all without any benefit to**

¹ Jointly with the family companies which objected to the arrangement.

² See the Honorable Court's judgment of September 26, 2017 on page 15, opposite the lines 29-33.

the creditors of the Edge companies group, of which the Company is a material part.

11. Thus, in the framework of the professional fees approval application, accounts were submitted to Edge on Triangle Park Inc. (one of the Edge group subsidiaries) for acts of the Canadian monitor in proceedings in Israel - thus on page 165 a charge was recorded on May 23, 2017 for hours spent on **"reviewing the application of Gornitzky & Co., a letter and e-mail with respect to the decision"** (free translation); on page 195 a charge was recorded on July 18, 2017 for hours spent on **"various e-mails pertaining to Gissin's application no. 48, report 11 and a study of the aforesaid"**³ (free translation); and subsequently on the same page on July 19, 2017 a charge was recorded for hours spent on **"reviewing the application of GG [Guy Gissin - our clarification] for interim professional fees"** (free translation).
12. The accounts, which the Edge monitor sought to approve in the framework of the professional fees approval application, also included several more charges that raise (to use an understatement) concern with respect to the Edge monitor's relationship with the members of the Saskin family and their influence on the proceedings instituted by him, including (on page 138) **"talks with Alan [Saskin] and Ted [Saskin - our clarification] pertaining to communication with Israel"** (free translation), the financing of lunch with Ted Saskin (on page 162) and a meeting with the personal lawyer of Alan Saskin for the purpose of examining distribution scenarios in the Edge group (on page 182).
13. At this point it should be noted that the Edge monitor in the past sought to transfer considerable amounts as professional fees to Mr. Ted Saskin, brother of Alan Saskin (whose involvement in acts done before the Company's collapse is being investigated by the Functionary), for services supposedly provided. These payments have been prevented (for now) only pursuant to express written demands of the Functionary.

A copy of the professional fees approval application marked on the relevant pages from accounts of the Canadian monitor is annexed hereto as **appendix "1"**.

14. The communication of the attorneys for the Functionary also included a (repeat) demand for information with respect to payments of professional fees in a sum of about CAD 300,000 that the Edge monitor transferred to the firm of Bennett Jones, which serves both as attorney for the Edge group companies on various matters and as the personal lawyers of Mr. Saskin, without receiving suitable

³ To the best of the Functionary's understanding, the intention is the application of the Functionary for approval of interim professional fees and to the objection of the Canadian trustee and the family companies to this application.

details and accounts with respect to the nature of the services that were provided. In reply to questions of the Functionary on the matter already during May 2017, the attorney for the Edge monitor replied that "for reasons of privilege" the said payments were transferred in reliance on the statement of Bennett Jones with respect to the scope of the services provided to the companies, without details of the services provided. Despite the Functionary's demands, to date it has not been clarified why information with respect to the services that were provided to companies in the Edge group should be privileged vis-à-vis the Edge monitor which is supposed to supervise the Edge companies, and how the Edge monitor approved the making of payments in such an amount without receiving suitable references.

15. At the request of the attorneys for the Functionary, the Canadian court (His Honor Judge Mayer) decided, on September 27, 2017, to dismiss the hearing on the approval of the Edge monitor's fees until October 12, 2017, insofar as the matter is not resolved with the parties' consent by this date.
16. After receiving all the information and references requested by the Functionary, the Functionary will consider his position on the approval of the Canadian monitor's professional fees and/or any other legal step necessary in such regard.

C. **Legal proceedings in Canada in consequence of the creditors arrangement's approval**

17. The judgment of the Honorable Court approving as aforesaid the creditors arrangement will be filed for recognition by the Canadian court shortly after the relevant documents have been translated.
18. After approval of the creditors arrangement, which also includes approval for assignment of the rights of action of the bondholders to the Functionary, and after recognition of the arrangement approval's decision by the Canadian court, the Functionary will act to file an updated debt claim for the creditors arrangement fund rights against TCC/Urbancorp (Bay) Limited Partnership and the interested parties therein, by virtue of the promissory notes that were assigned to the Company in accordance with the issue prospectus, as provided in paragraph 2 of the update notice to update report no. 10 of the Functionary of June 28, 2017.

D. **Proceedings and acts in connection with the realization of assets and distribution of exercise proceeds**

19. The Functionary is in contact with several entities wishing to make offers with respect to the Company and/or its main assets.
20. In consequence of difficulties encountered by the Functionary in light of the lack of consent of the Canadian monitor, KSV Kofman Inc., which serves as

monitor of most of the group's companies (hereinafter - the "**monitor**") to now act for the purpose of realizing the group's main asset (the Downsview project) and with respect to obtaining information with respect thereto, the Functionary soon intends filing a suitable application with the Canadian court for the purpose of obtaining its approval to conduct orderly proceedings to obtain information and review the possibilities for the realization of this asset (as well as other assets), by the creditors arrangement fund. Exercise proceedings as aforesaid would of course be subject to the Israel court's approval, insofar as necessary.

21. In light of the lack of clarity and non-conformity of the information currently reaching the Functionary with respect to the Downsview project, with respect to information furnished in the past (including in the framework of the prospectus for the bonds' issue by the Company in December 2015), the Functionary soon intends widening his investigations against various entities from and outside the Company in such regard.

E. **Update in respect of the claim filed by the Functionary against the shareholders in CF 46263-06-17**

22. As will be recalled, on June 20, 2017 the Functionary filed a statement of claim against the shareholders in a sum of NIS 95.5 million. The statement of claim was served for the First to Fifth Defendants (Mr. Saskin through the Canadian trustee in his bankruptcy proceedings and several family companies owned by the Saskin family) on Gornitzky & Co. on June 21, 2017. On June 29, 2017 the statement of claim was returned by Gornitzky & Co. to the Functionary, on the grounds that Gornitzky & Co. is the address for the service of process **only** in the Company's insolvency proceedings.
23. On August 9, 2017 the Honorable Court (His Honor Judge Naftali Shiloh, in his capacity as Registrar), at the request of the Functionary, held that the service of the statement of claim (and the ancillary applications) on Gornitzky & Co. for the First to Fifth Defendants constituted **due service** and held that the First to Fifth Defendants must file a defense within 30 days.
24. On September 12, 2017 Gornitzky & Co. (and not the Defendants themselves) filed an appeal⁴ against the decision of August 9, 2017, in which Gornitzky & Co. sought to extend the deadline for filing a defense on behalf of the First to Fifth Defendants.
25. After the filing of the Functionary's objection to the application to extend the deadline, Her Honor Judge Dotan, in her decision of October 1, 2017, dismissed the application to extend the deadline for filing a defense on behalf of the First to Fifth Defendants, holding in the decision that: "Involved is an application to stay execution that was "disguised" in the appeal. **The application is not**

⁴ AR 26579-09-17, hearing of appeal fixed for October 26, 2017 before Her Honor Judge Sarah Dotan.

supported by an affidavit, and does not mention the prospects of the appeal's success and the balance of convenience. Accordingly, the application is dismissed. At this stage I am not making an order for costs. **The defense shall be filed by October 22, 2017**".

26. In accordance with the decision of September 12, 2017, the parties must file the main points of their argument on appeal and a hearing on the appeal has been fixed as aforesaid for October 26, 2017.
27. In addition thereto, on June 26, 2017 the Court allowed, in the claim proceedings, the Functionary's application and granted leave for service of the statement of claim (translated into English) outside the jurisdiction in accordance with section 500 of the Civil Procedure Rules, 5744-1984; in the Court's decision of August 9, 2017, similar leave was granted also with respect to Mr. Saskin.
28. In accordance with these decisions, the Functionary acted to serve the statement of claim - a Hebrew copy and a copy translated into English - on the Saskins personally. From the information in the Functionary's possession, it emerges that the Saskins are piling difficulties on the making of service and acceptance of the documents. The Functionary is acting in such regard to complete the service.
29. In the meantime, the Functionary is acting through attorneys in Canada to file an application for removal of the stay of proceedings order that was given in the personal bankruptcy proceedings of Mr. Saskin and to obtain the approval of the court of insolvency for the conduct of the claim against Mr. Saskin, such being in accordance with the decisions of the Honorable Court of May 21, 2017 and of May 24, 2017 (privileged application no. 37), in the framework of which the Court [sic] allowed the filing of the claim.

(Signed)	(Signed)	(Signed)
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Yael Hershkovich, Adv.	Gilad Bergstein, Adv.	Michael Missul, Adv.

Attorneys for the Trustee for Implementation of the Creditors Arrangement
in Urbancorp Inc.

Today, October 2, 2017, Tel Aviv