

**Update Report No. 27 on behalf of the Functionary
and Application for the Grant of Instructions**

The Functionary is respectfully filing an update report in connection with the proceedings and acts taking place in Canada and Israel, as well as an application for the grant of instructions in relation to the existence of arbitration and/or other legal proceedings in relation to the Downsview asset.

A. Update on the geothermal assets

1. Further to the Canadian court's approval of the proceedings for the sale of the geothermal assets as detailed in update report no. 26 of May 3, 2020 (application no. 92) ("**report no. 26**"), and the delays resulting from the existence of legal and mechanical difficulties, proceedings for the sale of the geothermal assets took place in September-October 2020.
2. On November 2, 2020 an agreement was executed with Enwave Energy Corporation, which submitted the highest offer.
3. The total proceeds from the sale of all the assets in the framework of the chosen offer is CAD 24 million (subject to certain price adjustments that are expected to be insubstantial). The offer terms include the provision of a deposit in a sum of CAD 3.6 million.
4. The sale transaction's completion is subject to fulfillment of several conditions precedent, including the Canadian court's approval, no material change for the worse and more, such being by January 18, 2021, as detailed at length in the application for the transaction's approval by the Canadian monitor of December 1, 2020 and the Canadian monitor's report annexed thereto (the "**application and report in relation to the sale of the geothermal assets**").
 - A copy of the application and report in relation to the sale of the geothermal assets, without appendices, is annexed hereto as **appendix "A"**.
5. The hearing on the Canadian monitor's application for the sale transaction's approval is fixed for December 11, 2021.
6. The application for the sale transaction's approval included an application for approval of repayment of the mortgage registered in favor of First Capital Realty Inc. (FCR) in relation to the Fuzion geothermal assets, in a current amount of approx. CAD 2.1 million, bearing annual interest at a rate of 6%.
7. The application also included details of the claim of King Towns North Inc., a company owned by the Saskin family and under the management of Mr. Alan Saskin, for receipt of part of the sale proceeds in respect of the existence of a

lease between this company and companies holding the geothermal assets. The bond issue prospectus detailed the existence of a lease with the aforesaid company until 2060, that may be extended by the relevant subsidiary, in consideration for a nominal cost for use of the land in an annual amount of CAD 100. Accordingly, the Canadian court is moved to approve assignment of the rights under this agreement to the purchaser.

8. An application for distribution of the sale transaction proceeds will be filed with the Canadian court after the transaction's completion at the beginning of 2021, and is subject to regulation of the various claims between the various interested parties in the assets, and in particular regulation of a debt claim that was filed in relation to the Edge asset by the Edge monitor in a sum of approx. CAD 13 million, as well as regulation of the tax aspects. The Functionary is checking, through his advisors in Canada, the feasibility of the Edge monitor's said debt claim. As detailed in Chapter E. below, the Company also has significant rights in monies received, insofar as received, by the Edge companies group by virtue of the said debt claim.
9. The Functionary is considering his position in relation to the Company's rights in the various assets, the debt claim filed by the Edge companies group, as well as the trust monies held by the monitor and is engaging in routine discussions with the Canadian monitor on the matter.

B. Update on the Mattamy proceedings

10. In recent months intensive negotiations have been held with Mattamy Downsview Limited ("**Mattamy**") against the background of the dispute regarding interpretation of the project and partnership agreements between the parties, that are resulting in considerable gaps in the holdings value of the Company's subsidiary (UDPDI), as well as the failure to furnish information as required in accordance with the project agreements by Mattamy.
11. As is recalled¹, in the arbitration conducted by the Functionary against Mattamy in 2019, most of the Functionary's claims were accepted, such that there should have been a reduction in the amount of the loan that Mattamy claimed it provided to the subsidiary, in a sum of CAD 12.5 million, to a sum of approx. CAD 2 million only, and it was held that the Company is entitled to its share of the project management fees in accordance with the project agreements.
12. After the arbitration's completion, a material dispute arose primarily in relation to Mattamy's claim that according to the project partnership agreements, it is entitled to a material payment that did not appear in the bond issue prospectus or in the information furnished by Mattamy prior to the arbitration. The

¹ See details in update report no. 25 of November 24, 2019 (application no. 91).

Functionary objects to this position and this dispute has a material effect as aforesaid on the value of the Company's rights in the project.

13. In addition, many discussions took place between the Functionary, the monitor and Mattamy regarding the failure to furnish the necessary information and the lack of transparency required of Mattamy in its capacity as project manager other than in accordance with the provisions of the project management agreements.
14. On October 30, 2020, the monitor filed an application with the Canadian court for approval of an additional DIP loan and charge to be provided by Mattamy for the purpose of financing the Company's share of the equity required for the project's financing, in an overall sum of approx. CAD 14.5 million (together with the previous DIP facility that was approved).
 - A copy of the Canadian monitor's application and report of October 27, 2020 is annexed hereto as **appendix "B"**.
15. The Functionary filed an affidavit with the Canadian court in which he gave notice that according to his estimate, in light of the results of the arbitration conducted by him, it was necessary to significantly reduce the overall charge amount to a maximum amount of CAD 8.5 million, based on reduction of the original DIP amounts in consequence of the arbitration to approx. CAD 2 million plus the additional equity amount now required in a sum of approx. CAD 6.5 million.
16. In his affidavit the Functionary also referred to lack of transparency and sufficient information on the part of Mattamy and expressed his concern to the Canadian court that Mattamy was abusing its power as project manager in order to withhold information, which makes it impossible to estimate the real value of the Company's share in the project and requires the Company to borrow equity from Mattamy with interest at a rate of 15% per annum. The Functionary requested, *inter alia*, that the additional loan period be limited to three months in order to enable the Functionary and Mattamy to hold discussions in relation to the missing information and the possibility of realizing the Company's share of the project.
 - A copy of the Functionary's affidavit of October 29, 2020 is annexed hereto as **appendix "C"**.
17. In the update report filed by the Canadian monitor, it was expressed that Mattamy agrees to the DIP's reduction to CAD 11 million and to the limitation of its period in accordance with the Functionary's position.
 - A copy of the monitor's supplementary report is annexed hereto as **appendix "D"**.

18. In the hearing of November 3, 2020 and the judgment given in consequence thereof on November 9, 2020, understandings were reached to reduce the DIP amount first and foremost to CAD 11 million, and to limit its period as aforesaid. It was also agreed that from the DIP, an additional amount of CAD 2.2 million would be set off that is due to the Company as a reimbursement of expenses, plus interest as fixed in the arbitration award according to a calculation agreed by the parties.
19. The Canadian court also ordered the transfer of detailed information at the required times by Mattamy in accordance with the Functionary's application.
20. The Canadian court gave notice that it expects the disputes with Mattamy to be resolved before the DIP's expiration, on January 31, 2021, and that insofar as the parties reach a deadlock, a discussion could take place via visual communication.
 - A copy of the Canadian court's judgment of November 9, 2020 is annexed hereto as **appendix "E"**.
21. Further to the decision, on December 4, 2020 it was agreed between the parties that the DIP loan amount would be reduced to a sum of **approx. CAD 8.9 million** (this amount also includes the previous amounts that were provided to the Company's subsidiary as of 2016), compared to the initial sum of approx. CAD 14.5 million.
22. In light of all the aforesaid, approval is requested from the Honorable Court by virtue of paragraph 64 of the Company's creditors arrangement (as approved by this Honorable Court on September 26, 2017) for the Functionary to conduct another arbitration, himself or together with the monitor, and/or to conduct in the matter any proceedings required by the Canadian court, in relation to obtaining the information required for a valuation of the subsidiary's rights in the project, and in particular in relation to the additional payment, Mattamy's claim of entitlement to which (as well as other claims that are raised) effectively nullify the value of the Company's rights in the project.

C. Applications for the approval of class actions in relation to the Company

23. On October 12, 2020, the Functionary, who is defending on behalf of the Company both in the framework of the Pechthold claim and in the framework of a third party notice filed against him by Apex (in relation to its claim of indemnity in relation to the Monrove claim), filed an application with the [Tel Aviv District Court] Economic Division to limit the classes in both the proceedings.
24. In the application, the Honorable Court was requested as follows -

- a. to hold that the alleged classes be limited to past holders only who sold their holdings in the Company's bonds prior to the date of the bondholders' approval of the creditors arrangement on May 24, 2017 ("**date of the holders' approval of the arrangement**");²
 - b. to hold that **one** class action be conducted in relation to the "Tarion affair", because identical pleas are involved that are being filed on behalf of identical alleged "classes", for identical alleged "damages", in order to prevent multiple compensation and a multiple delay in funds; in this matter, an expert opinion was filed on behalf of the Functionary, that was prepared by Mr. Yitzhak Idan, CPA (the "**expert opinion**") that supports the application's financial conclusions;
 - c. to hold that events 1 and 2 in the Pechthold application (the two additional events in Pechthold's claim only besides the Tarion event) did not cause the damages alleged in the Pechthold application, based on the financial opinions and on the references annexed by Pechthold himself (that constitute a party's admission), as also stated in the expert opinion.
 - A copy of the Functionary's application that was filed (without its appendices) is annexed hereto as **appendix "F"**.
25. In light of the objection of the class action approval applicants to a hearing on the definitions of the classes as aforesaid, His Honor Judge Altuvia, who presided over the case on November 29, 2020, that the pleas in the matter are reserved to the parties and the hearing of the matter would take place in the framework of the hearing of the class action approval applications.
26. If the Functionary's aforesaid pleas are accepted, this would mean a significant limit of the classes and the alleged damages in both the class action approval applications, that might even enable a reduction of the reserves currently being kept in relation to these claims in the Functionary's fund and their distribution to the Company's creditors.
- D. The mediation that is being conducted in relation to the Functionary's claim and the class actions**
27. The Functionary is conducting mediation with some of the defendants in the Functionary's claim and with some of the applicants for approval of the class actions that are being conducted in relation to the Company's activity.

² Unlike the Company's present bondholders, who assigned to the Functionary their rights of claim of whatsoever type and class in the framework of the creditors arrangement that was approved for the Company on September 26, 2017, as expanded upon below.

28. On November 26, 2020 the parties to the mediation agreement filed an application with the [Tel Aviv District Court] Economic Division to postpone the dates fixed for the beginning of December for consolidated evidence hearings on the class action approval applications and stated that **"in the framework of the mediation before His Honor Judge (Retired) Dr. Adi Zarankin, the applicant in the Monrove application, the Functionary,³ Apex, Deloitte and other defendants in the Functionary's claim reached understandings (that are subject to the official approval of some of the parties' insurers) regarding the settlement, that are expected to do away with the need for the Monrove application and the Functionary's claim against the parties to the mediation arrangement.**

In consequence thereof, the parties that reached the understandings are working on drafting suitable applications that will be filed in the framework of the Monrove application, in the framework of the Functionary's claim and in the framework of the Company's insolvency proceedings before the court that is supervising the Functionary's acts."

29. Insofar as a mediation agreement is formulated as aforesaid, it will be brought for the Honorable Court's approval.
30. It is expressed that the mediation agreement will only apply to the parties thereto and the Functionary will continue to conduct the claims filed by him in relation to the rest of the defendants.

E. Proceedings relating to the Edge companies group

31. One of the two remaining main assets of the Edge companies group that have not yet been realized is the TMAC space in the Edge building that will be offered for sale as of today (December 7, 2020). At this stage, no date has been fixed for the sale's completion.
32. The other asset is the debt claim of the Edge companies group against the Edge geothermal asset. In this framework, as aforesaid, the Edge companies group filed a debt claim against the Edge geothermal assets in a sum of CAD 13 million in respect of the geothermal asset's establishment costs.⁴
33. As detailed in the Edge monitor's report no. 28 of July 31, 2020, the Edge monitor recognized approx. CAD 5.3 million in trust claims, approx. CAD 1.94 in secured claims and approx. CAD 21.3 million in unsecured debt claims (that

³ The Functionary's consent is of course subject to the approval of the Court of Insolvency after a detailed mediation arrangement is formulated.

⁴ As provided in paragraph 8 above, the Functionary is checking, through his advisors in Canada, the feasibility of this debt claim.

will be paid after payment of the trust claims and the secured claims), as follows:

28. The Claims Process has concluded, and the Claims Bar is in effect. A summary of the claims filed in the Claims Process is as follows:

Category	Admitted (\$)	Disputes Claims (\$)	# of Disputed Claims	Total Claims (\$)
Trust Claims	*5,308,470	141,598	4	5,308,470
Secured Claims	1,940,003	**12,666,535	2	14,606,538
Unsecured Claims	21,238,493	***553,761,305	6	574,999,798
Total	28,486,966	566,569,438	12	595,056,404

* Trust Claims - with respect to Speedy Electrical Contractors Ltd, the Monitor has admitted the amount of \$ 1,367,904 being the amount paid by KSV Kofman Inc. to Speedy from the King Resident Inc. estate. As a result KSV Kofman Inc. has a subrogated trust claim in the amount of \$ 1,367,904.

** Secured claims include two accepted lien claims from 2075875 Ontario Limited for \$ 52,654,62, and from MDF Mechanical Limited for \$ 20,294.80.

*** \$ 521,714,700 of the disputed unsecured claims relate to Tarion Warranty Corporation's proof of claim.

- A copy of the Edge monitor's report no. 28 is annexed hereto as **appendix "G"**.
34. The Company's claim that was recognized in the debt claim proceedings amounts to approx. CAD 12.3 million and constitutes approx. 58% of the balance of the **unsecured** debt claims of the Edge companies group (that will be paid as aforesaid after the secured debt claims and the trust claims). In addition, as detailed in report no. 26,⁵ Cumberland 1 is entitled to a sum of approx. CAD 1.36 from the trust claim monies that are transferred to the Company by the Canadian monitor (the "**trust monies**").
35. In the opinion of the Functionary based on information that he has received from his advisors, assuming that sale of the TMAC space is completed and that the Edge monitor's debt claim in respect of the geothermal assets is approved in its current amount, it can reasonably be assumed that the Company's overall share of the Edge group's debt to creditors will be approx. CAD 8 million, before taxes insofar as applicable to the Edge companies group's assets. It is expressed that these amounts also include the Company's share of the trust monies received from the Edge group and any other receipt in the Edge group by virtue of the geothermal assets' sale and the monies deposited in connection therewith on trust in the Canadian monitor's account. These assumptions are subject to the qualifications detailed in Chapter G. below.

F. Update on the receipt of amounts from Canada

⁵ See paragraph 33 of the report.

36. On December 6, 2020, a sum of CAD 400,000 was received in the Functionary's account, as a result of the release of reserves in respect of partial settlement of the Speedy claim and settlement of Travellers' claim in the framework of the proceedings in Canada.
37. In accordance with decisions that are expected to be made in the near future in the Canadian court, in relation to the Edge companies group, it is expected that additional reserves will be released that are held by the Edge group's monitor in a sum of between CAD 400,000 and CAD 1 million.

G. The information in this report

38. The information in this report is based on financial information that has not been reviewed or audited, that was obtained from the books of the Company and the subsidiaries. This information was sent to the Functionary, after enquiry and demand on his part, by third parties and *inter alia* in accordance with the collaboration protocols signed between him and the Canadian monitors.
39. As detailed in the body of the report and the appendices thereto, some of the information sent is forward-facing information, especially with regard to proceedings for the realization of assets and rights, on the one hand, and clarification and decision in relation to rights of the creditors of the various companies in the group, on the other hand. As described below, these proceedings are not yet complete. The information in this report is based on the reasonable estimate of the Canadian monitors regarding the scope of the disputed claims that might be accepted / rejected against the subsidiaries in the group. Hence, involved are information and estimates, the certainty of the manifestation of which is in doubt in consequence of the fact that they are dependent, *inter alia*, on external factors and foreign law, over which the Functionary has limited influence.
40. It is expressed that inclusion of the information furnished by the Canadian monitors in this report does not constitute consent and/or approval on the part of the Functionary to the amounts, working assumptions and/or estimates included therein, and the Functionary is reserving all his rights and pleas in relation to any information as aforesaid.
41. Information on the value of the Company's assets is also subject, in addition to the aforesaid, to the existence of misleading details in the issue prospectus, as detailed in the claim filed by the Functionary against the controlling shareholders and a line of entities that were involved in the issue (the "**Functionary's claim**"), as provided in report no. 19. Hence, it is expressed that reference to the values of the Company's assets as detailed below does not constitute reference to the values detailed in the bond issue prospectus.

42. **Application for the grant of instructions** - as requested in paragraph 22 of this report, the Honorable Court is moved to grant the Functionary leave to conduct another arbitration and/or any proceedings in the matter insofar as required in the Canadian court, in relation to obtaining the information required by him in order to take action to safeguard and realize the rights of the Company and its subsidiaries in the Downsview project.

(Signed)

Guy Gissin, Adv.
The Functionary

(Signed)

Yael Hershkovitz, Adv.
The Functionary's attorney

Today, December 7, 2020