

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, C. c-36, AS AMENDED**

AND IN THE MATTER OF URBANCORP INC.

**APPLICATION OF GUY GISSIN, THE FOREIGN REPRESENTATIVE OF
URBANCORP INC., UNDER SECTION 46 OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**MOTION RECORD
(Returnable May 8, 2017)**

May 2, 2017

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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, C. c-36, AS AMENDED**

AND IN THE MATTER OF URBANCORP INC.

**APPLICATION OF GUY GISSIN, THE FOREIGN REPRESENTATIVE OF
URBANCORP INC., UNDER SECTION 46 OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**NOTICE OF MOTION
(returnable May 8, 2017)**

THE MOVING PARTY, Guy Gissin, the Israeli Court-appointed functionary officer and foreign representative (the "**Foreign Representative**") of Urbancorp Inc. ("**UCI**"), will make a motion to a judge presiding over the Commercial List on May 8, 2017 at 9:30 a.m., or as soon after that as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

THE PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR an Order substantially in the form attached at Tab 2 of the Motion Record:

1. Recognizing the order granted on April 20, 2017, by the District Court in Tel Aviv-Jaffa, Israel (the "**Israeli Court**") providing for the extension of the Foreign Representative's mandate until July 21, 2017 (the "**Fifth Israeli Extension Order**"); and
2. Such further and other relief that the moving party may request and this Honourable Court may consider just.

THE GROUNDS FOR THE MOTION ARE:**Background**

3. On April 21, 2016, certain of UCI's direct and indirect subsidiaries (the "**NOI Entities**") commenced bankruptcy proposal proceedings pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. C-36, as amended (the "**NOI Proceedings**"). KSV Kofman Inc. ("**KSV**") was appointed as the Proposal Trustee;
4. On April 25, 2016, pursuant to an application under Israel's insolvency regime (the "**Israeli Proceedings**") brought by the indenture trustee of certain notes issued by UCI, the Israeli Court granted an order giving the Foreign Representative certain management powers, authorities and responsibilities over UCI;
5. On May 11, 2016, the Israeli Court granted an order authorizing the Foreign Representative to enter into a protocol between the Foreign Representative and KSV (the "**Protocol**"). The Protocol contemplated, among other things, that the NOI Entities and certain other entities (together, the "**Urbancorp CCAA Entities**") would file for protection under the CCAA (the "**CCAA Proceedings**");
6. On May 18, 2016, the Ontario Court granted an initial order under the CCAA in respect of the Urbancorp CCAA Entities (the "**Initial Order**") and appointed KSV as monitor (the "**Monitor**"). The Initial Order also approved the Protocol;
7. On May 18, 2016, the Ontario Court also granted two orders, the Initial Recognition Order and the Supplemental Order, under Part IV of the CCAA;
8. On May 22, 2016, the Israeli Court granted an order extending the appointment of the Foreign Representative from May 22, 2016 to September 22, 2016 (the "**First Israeli Extension Order**");
9. On May 24, 2016, and June 14, 2016, the Israeli Court granted orders providing that claims against UCI are to be filed with the Foreign Representative by August 5, 2016 (the "**Claims Bar Date**"), using the prescribed proof of claim notice, and allowing the Foreign Representative to publish notice of the claims process in Israeli and Canadian

newspapers (collectively, the “**Israeli Claims Process Orders**”). The Israeli Claims Process Orders provided that any creditor that does not file a claim by the Israeli Bar Date may be precluded from receiving distributions from UCI;

10. On June 15, 2016, the Ontario Court granted an order recognizing the First Israeli Extension Order and the Israeli Claims Process Orders (the “**Claims Process Order**”);
11. On September 25, 2016, the Israeli Court granted an order extending the appointment of the Foreign Representative until December 22, 2016 (the “**Second Israeli Extension Order**”);
12. On October 5, 2016, the Ontario Court granted an Order recognizing the Second Israeli Extension Order;
13. On December 15, 2016, the Israeli Court granted an order extending the Foreign Representative’s mandate until January 17, 2017 (the “**Third Israeli Extension Order**”);
14. On January 9, 2017, the Israeli Court granted an order extending the Foreign Representative’s mandate until April 21, 2017, and authorizing the Foreign Representative to convene a meeting of UCI creditors (the “**Fourth Israeli Extension Order**”);
15. On January 27, 2017, the Ontario Court granted an Order recognizing the Third Israeli Extension Order and the Fourth Israeli Extension Order;
16. On February 26, 2017, the Israeli Court granted an order, *inter alia*, approving the Foreign Representative’s administration of the claims process, enforcing the notice of objection bar date, and requesting the assistance of the Ontario Court with resolving the disputed claims of certain Canadian creditors (“**Israeli Claims Dispute Order**”), other than that of officers and controlling shareholders of UCI;
17. On March 9, 2017, the Ontario Court granted an order (the “**March 2017 Order**”) recognizing the Israeli Claims Dispute Order;

18. The March 2017 Order also authorized UCI to borrow up to the balance of the \$1,900,000 under the interim lending facility and limited the liability of the Foreign Representative in connection with the execution and submission of UCI's Canadian income tax returns and related financial information to liability for gross negligence and wilful misconduct;
19. On April 20, 2017, the Israeli Court granted Fifth Israeli Extension Order;
20. The Foreign Representative is seeking an Order of this Court recognizing the Fifth Israeli Extension Order;
21. The recognition of the Fifth Israeli Extension Order will allow for the continued efficient and equitable administration of the proceeding;
22. Part IV of the CCAA;
23. Rules 1.04(1), 1.04(2), 2.03, and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194; and
24. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE MOTION:

25. The Fifth Israeli Extension Order;
26. The Fifth Report of the Information Officer, to be filed separately; and
27. Such further and other evidence as counsel may advise and this Honourable Court may admit.

May 2, 2017

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TO: THE SERVICE LIST

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. c-36, AS AMENDED, AND IN THE MATTER OF UCI, APPLICATION OF GUY GISSIN, THE FOREIGN REPRESENTATIVE OF URBANCORP INC., UNDER SECTION 46 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**NOTICE OF MOTION
(returnable May 8, 2017)**

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TAB 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) MONDAY, THE 8TH
)
JUSTICE NEWBOULD) DAY OF MAY, 2017

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, C. c-36, AS AMENDED**

AND IN THE MATTER OF URBANCORP INC.

**APPLICATION OF GUY GISSIN, THE FOREIGN REPRESENTATIVE OF
URBANCORP INC., UNDER SECTION 46 OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**RECOGNITION ORDER
(Fifth Israeli Extension Order)**

THIS MOTION, made by Guy Gissin, the Israeli Court-appointed functionary officer and foreign representative of Urbancorp Inc. (the "**Foreign Representative**"), for an order recognizing an order granted by the District Court in Tel Aviv-Jaffa, Israel (the "**Israeli Court**") in the insolvency proceedings commenced against Urbancorp Inc. (the "**Israeli Proceedings**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Fifth Report of the Information Officer, filed, and upon hearing the submissions of counsel for the Foreign Representative and counsel for the Information Officer, no one else appearing although duly served as appears from the affidavit of service of Vanja Ginic sworn May 2, 2017.

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the Motion Record herein be and it is hereby abridged so that this Motion is properly returnable today and any further service of the Motion Record on any interested party is hereby dispensed with.

RECOGNITION OF EXTENSION ORDER

2. **THIS COURT ORDERS AND DECLARES** that the order granted by the Israeli Court on April 20, 2017, a copy of which is attached as Schedule “A” hereto, extending the mandate of the Foreign Representative until July 21, 2017, is hereby recognized pursuant to Section 49 of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-43, as amended (“CCAA”).

MISCELLANEOUS

3. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada and outside Canada.

4. **THIS COURT REQUESTS** the aid, recognition and assistance of other courts in Canada in accordance with Section 17 of the CCAA, and requests that the Federal Court of Canada and the courts and judicial, regulatory and administrative bodies of or by the provinces and territories of Canada, the Parliament of Canada, the United States of America, the states and other subdivisions of the United States of America including, without limitation, the U.S. Bankruptcy Court, and other nations and states act in aid, recognition and assistance of, and be complementary to, this Court in carrying out the terms of this Order and any other Order in this proceeding. The Applicant shall be at liberty, and is hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other court and judicial, regulatory and administrative bodies, and take such other steps, in Canada or the United States of America, as may be necessary or advisable to give effect to this Order.

Schedule "A"

At the Tel Aviv

District Court

liquidation case 44348-04-16

Motion no. _____

Before the honorable president

Judge E. Ornstein

In the matter of: The Companies Law of 5759 – 1999 The Companies Law

The Companies Order [New Version] of 5743 – 1983

And: Urbancorp Inc. Canadian company no. 2471774

The Company

20.4.2017	Decision
Motion 36 in case 44348-04-16	
Judge E. Ornstein	
For the reasons of the motion I hereby extend the Functionary's appointment until 21.7.2017.	

And: Adv. Guy Gissin –Company's functionary

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Functionary's Update Report no. 8

And Motion for the Extension of Functionary's Appointment

In continuation of the details provided under the motion for the extension of Functionary appointment and the order for the convening creditors' meetings (motion no. 29) dated January 8th 2017 (hereinafter: "**Motion 29**"), the Functionary hereby updates the honorable court regarding the progress of Canadian proceedings, and the sources that will be available to the Company for distribution to its creditors under the debt settlement proposal, which the Functionary will publish as detailed below in this report. Furthermore, an extension of Functionary appointment is requested until July 21st 2017, in order to enable Company debt settlement approval and promotion, as detailed below.

A. Information Brought in this Report

1. The information brought in this report is based on un-reviewed, unaudited financial information, received from Company and subsidiaries' books. This information was provided to the Functionary, following his investigation and requirement and according to the co-operation protocols signed by him with the officers appointed by the Canadian Court¹, who manage the subsidiaries undergoing settlement procedures (CCAA). The Functionary and his Canadian representatives are acting and receive on-going information vis-à-vis the Canadian officers and their representatives. However, so far no audit or verification of the entire information provided has been possible such that all information is subject to further examinations.
2. As detailed within the Report and its appendixes, some of the information provided is forward looking statements, particularly regarding assets and rights' realization procedures on one hand, and review and determination of the rights of the various Group companies' creditors on the other hand. As described hereinafter, those procedures are still pending. The

¹ See Appendix 1 of report no. 3 dated May 20th 2016 and Appendix 1 of the motion for instructions dated June 13th 2017.

information in this report is based on the reasonable estimates by the Canadian officers regarding the scope of disputed claims that could be sustained\dismissed against the Group subsidiaries. Thus, there is a degree of uncertainty with respect to information and estimates of proposed realizations, due to their dependence, *inter alia*, upon external factors and foreign law, over which the Functionary has limited influence.

3. The inclusion in this report of information provided by the Canadian officers does not constitute Functionary's consent to and\or confirmation of the amounts, working estimates and\or evaluations it includes, and the Functionary reserves all rights and claims regarding any such information.

B. Expected Proceed from the Sale of Assets of Subsidiaries Undergoing General Insolvency Proceedings

4. As detailed in previous update reports, most Company subsidiaries are managed by KSV Kofman Inc., the Canadian officer handling their creditors' arrangement proceedings (Companies' Creditors Arrangement Act – CCAA) (hereinafter: the "Monitor" and "General Insolvency Proceedings").²
5. The Functionary has filed debt claims under the General Insolvency Proceedings against the relevant subsidiaries managed by the Monitor, in an accumulative amount of approximately 57.7 million Canadian Dollars. Since according to the Functionary, fundraising in the (A Series) bonds (hereinafter: the "Bonds") the Company issued in Israel in December 2015 was mainly aimed at the repayment of subsidiary debts, the debt claims filed also include a relative part of the raising costs of the funds transferred to the subsidiaries, including Bonds raising costs (see details in update report number 6 dated November 10th 2016). In addition, the debt claims include, *inter alia*, all enforcement expenses in Israel and

² For a complete picture it is noted that according to the decision by the Canadian Court dated December 14th 2016, in light of various trust agreements between group subsidiaries, most of those subsidiaries' insolvency procedures will be handled as one. Thus, all debt claims are served against most of these companies under the General Insolvency Proceedings, and assets' realization considerations as detailed infra are used for the repayment of most debts of the relevant subsidiaries under the General Insolvency Proceedings.

Canada as well as a demand to receive any residual equity value to be left in any of the subsidiaries (following the repayment of their undertakings).

6. As of the date of this report, the Functionary's debt claim was partially approved at approximately 37 million Canadian Dollars under the General Insolvency Proceedings, and an additional amount of approximately 10 million Canadian Dollars was approved regarding an owners' loan provided by the Company to the Downsview project, which as detailed below is not subject to the General Insolvency Proceedings. The vast majority of the approved amount is attributed to the owners' loans' funds granted by the Company to the subsidiaries from the consideration for the Bonds' issuance. The Functionary and the Monitor have agreed to reserve their arguments regarding unapproved part of the debt claims amounts, considering that should the Company be entitled to a refund of residual equity value (if any) from those companies, the need in debating some of the parties' disputes in that matter could be negated.

"1" A copy of the debts claims filed by the Functionary and the Monitor's notice of their partial allowance is attached as Appendix 1.

7. As detailed in Motion 29, four of the five Back-up projects, which are main assets of the Urbancorp Group's companies (hereinafter: the "**Group**") and whose cash flow surpluses were supposed to repay the debt to Company Bonds' holders (hereinafter: the "**Back-up Assets**"),³ were sold during the past months under the General Insolvency Proceedings, and their total sale consideration amounts to approximately 76.5 million Canadian Dollars which are deposited, as at this report, in accounts held by the Monitor.
8. The Company's rights in several residential units under joint ownership of Company subsidiary, 60 St. Clair (hereinafter: "**St. Clair**") (a 40% interest),

³ The Back-up Assets are the Lawrence project, the Patricia project, the Mallow project and the Caledonia project. The Downsview project is defined in the prospectus as well as a Back-up project, but it has not been sold under the sale procedures detailed herein and will be discussed later on.

were also sold, and the total proceeds from the St. Clair sale to the relevant subsidiary amounts to approximately 1.9 million Canadian Dollars.

9. In addition, as detailed in Motion 29, Company subsidiaries, Urbancorp Residential Inc. and King Residential Inc. are currently marketing for sale 28 residential units owned by them. Considering the conditions of Toronto's residential market and so as not to harm the units' value, a limited number of units are being offered for sale at any given time. As at this report, the sale of 2 units has been completed, the sale of another 4 units is subject to the execution of an agreement expected in the coming weeks, and around 5 more units will be offered for sale during the coming month. According to information provided to the Functionary, the residential units' sale is progressing in a satisfactory manner and the prices exceed expectations. The net consideration expected from the realization of those assets for the subsidiaries (following repayment of mortgages and expenses) is not expected, according to information provided to the Functionary, to exceed 2 million Canadian Dollars.
10. According to information provided to the Functionary, following the repayment of mortgages, legal expenses as at the relevant date and repayment of the loan provided for the funding of the General Insolvency Proceedings, the proceeds from the sale of the Back-up Assets' and St. Clair realization will amount to approximately 64.7 million Canadian Dollars (hereinafter: the "**Assets' Realization Proceeds**").
11. Out of the Assets' Realization Proceeds, the Monitor has already recognized suppliers and home purchasers' debt claims (for refund of their deposits) in the aggregate amount of approximately 15.5 million Canadian Dollars.
12. According to information provided by the Monitor to the Functionary, the former intends to maintain reserves in the sum of approximately 9.2 million Canadian Dollars to pay disputed debt claims (hereinafter: the

"Disputed Claims"), an additional sum of approximately 10 million Canadian Dollars to repay for losses claims by home purchasers (hereinafter: the "**Home Purchasers' Claims**") as well as an additional sum of approximately 10 million Canadian Dollars for the continued funding of General Insolvency Proceedings (hereinafter: the "**Procedures Funding Expenses**"), as detailed in chapter D below.

13. Also, there are claims by the Tarion Warranty Corporation – the Ontario home builders insurance organization (hereinafter: "**Tarion**") – in the sum of approximately 2.6 million Canadian Dollars, which were disallowed by the Monitor. The parties are negotiating the consensual removal of Tarion's claims. It is estimated that upon the refund of deposits to home purchasers, which form part of the claim amounts recognized as detailed in section 11 above (expected during the coming weeks), the Tarion claim will be resolved.
14. According to that mentioned above, the Monitor proposes to perform at this stage (and subject to said agreement with Tarion) an interim distribution of Assets' Realization Proceeds, so that the amount to be distributed to the Company will be approximately 20 million Canadian Dollars (hereinafter: the "**Interim Distribution**"), simultaneously with the refund of home purchasers' deposits as mentioned above. A motion for the approval of such an initial distribution is expected to be filed with the Canadian Court during April, in order for it to be approved and for the actual distribution to take place during May 2017, prior to the completion of all debt claim procedures and assets' realization under the General Insolvency Proceedings.
15. A hearing in the Home Purchasers' Claims was set for April 13th 2017 in the Canadian Court. In a nutshell, the home purchasers' argument relates to their damages sustained due to failure to complete their purchased homes, which is not cured by the refund of their deposits, particularly considering the price increases of residential units in Toronto. Following

said hearing, the scope of the Home Purchaser's Claims should become clear. According to information provided to the Functionary, it is reasonably estimated that a decision in the matter will be given by late April, and will be subject to an appeal within 21 days. Following and according to the completion of the Home Purchasers' Claims (including any appeal), which could reasonably be expected to end in late June, it will become clear if additional potential distribution amounts are available, as detailed in section 12 herein.

16. The estimate is that the remaining Disputed Claims (as defined above) will be heard in late May; however a hearing date in those matters has yet to be set. According to the decision regarding the remaining Disputed Claims, it will become clear if the Monitor can distribute additional amounts out of the amounts reserved for the Disputed Claims' proceedings as detailed in section 12 above.
17. The additional amounts that are reserved at this stage were meant to ensure funding sources for the General Insolvency Proceedings in the future, and, *inter alia*, enable the handling and realization of additional Group assets, and first and foremost, the Downsview project and geothermal assets, as expansively detailed herein.
18. Regarding the Kingsclub project, as detailed in Motion 29, this project includes 3 residential and commercial buildings, held in partnership in equal shares with First Capital Realty Co. Project completion is expected to end during 2018, yet as at this report the values expected for the Company from the realization of its share of the project (if any) are unclear. As detailed in Motion 29, apparently the value of the Company's holdings in the project is significantly lower than its reference in Company prospectus dated December 2015. The Functionary is investigating and examining the circumstances around the value decrease.

"2" A copy of the Monitor's forecast regarding the proceeds and distribution expected for the Company out of the Back-up Assets and St. Clair's sale considerations is attached hereto as Appendix 1.

C. Expected Proceeds from the Edge Group

C.1. General

19. As detailed in Motion 29, the Edge companies' group, which mainly includes the subsidiaries' holdings of the Edge project (hereinafter: the "**Edge Group**") is managed separately by another Canadian Functionary, The Fuller Landau Group Inc. (hereinafter: "**Edge Monitor**") under CCAA proceedings regarding companies included in the Edge Group.
20. On January 25th 2017, the Functionary served the Edge Monitor with a debt claim totaling approximately 17 million Canadian Dollars, due to inter-company loans. This debt claim includes a sum of approximately 12 million Canadian Dollars transferred for HST payments regarding Edge Group assets.
21. According to the Functionary's investigations and examinations, those are the same 12 million Dollars which the controlling shareholder undertook to provide the Company as an owners' contribution. An immediate report published by the Company on March 10th 2016, signed by Mr. Saskin stated: "**a sum of 12 million Canadian Dollars was deposited in Company account on March 10th 2016**".
22. In fact, according to the Functionary's investigations, said amount (hereinafter: "**Owners' Contribution Funds**") was not deposited in the Company's account, but rather was improperly transferred, directly by the controlling shareholder to the Canadian tax authorities, for HST payments of the Edge project, for which Mr. Saskin apparently was personally liable.
23. On March 3rd 2017, the Edge Monitor approved a sum of approximately 16.5 million Canadian Dollars out of the debt claim filed by the

Functionary. The remainder of the debt claim, in the sum of approximately 0.5 that was not allowed by the Edge Monitor results from the attribution of the relative share of the Edge Group subsidiaries in the costs of fundraising transferred to the subsidiaries, including the Bonds issuance costs. The Functionary reserved all of his arguments in that regard.

"3" A copy of the debt claims filed by the Functionary, the Edge Monitor's notice of their (nearly complete) acceptance, is attached as Appendix 3.

C.2. Residential Units Realization

24. As detailed in previous update reports, on December 16th 2016, the Canadian Court approved a transaction for the realization of 21 residential units (out of 37 units owned by the Edge Project). The gradual realization of the rest of the residential units in order to maximize their price was also approved.
25. The Edge Monitor estimates that the consideration due to the sale of all residential units owned by Edge Group subsidiaries should be approximately 12.6-13.4 million Canadian Dollars.
26. The Edge Group has no additional significant assets to realize, except a potential right in public areas in the Edge project, regarding which negotiations are ongoing with the Toronto Municipality, the details of which are currently privileged, and except claim rights as detailed in chapter C.3 below.
27. According to information provided to the Functionary, no distribution of proceeds from the sale of residential units by the Edge Monitor is expected prior to the completion of the proceedings for the sale of all units and the proceedings of the Edge Group debt claims, the forecast for the completion of which is yet to be provided to the Functionary.

"4" A detailing of the proceeds expected from the Edge assets compared with the crediting amounts filed and/or recognized is attached herewith as **Appendix 4**.

C.4. Legal Procedures Against Third Parties

28. Following demands by the Functionary and the approval of the creditors committee formed in the Edge Group⁴, the Edge Monitor agreed to act vis-à-vis the Canadian HST authorities to demand the refund of the Owners' Contribution Funds transferred for HST payments (see section 21 above), allegedly as an unfair preference. According to information provided to the Functionary, a motion regarding said refund should be filed during the coming weeks.
29. Following investigations and examinations by the Functionary in coordination with the Edge Monitor, the creditors' committee approved that the Edge Monitor also take legal procedures against an unlawful transfer of residential units in the Edge project to private creditors of the controlling shareholder, in the months prior to the companies' collapse. A motion in this matter is expected to be filed shortly. According to information provided to the Functionary, a decision is expected within 6-9 months of filing date.

D. Other Assets' Realization

30. Simultaneously with the realization of the Back-up Assets, residential units and St. Clair, and in order to yield additional amounts for the Company, the Functionary acts, in coordination with the Canadian officers, to examine possibilities for the realization of the Group's other assets.

D.1. The Geothermal Assets

⁴ In which the Functionary's Canadian representative is a member.

31. As detailed in Motion 29, the geothermal assets owned by the Group are actually rights to enjoy use fees of heating and cooling systems installed in residential buildings. Use fees are paid by the condominium corporations in which the systems are installed. Said geothermal assets are held by several Group subsidiaries. The agreements with the condominium corporations are for a 20 year term with two extension options for an identical term. The value appraisals given to the geothermal assets and included in the prospectus were based on the capitalization of the cash flows from those assets for a 60 year term, and stated a total value of approximately 44 million Canadian Dollars, as at June 30th 2015, attributed to the four geothermal assets owned by Group companies.
32. However, examinations by the Canadian officers regarding these assets' realization options show that the value determined for the geothermal assets in the prospectus, does not live up to reality, and that transactions (let alone potential transactions) in such assets do not support those estimates. It was also found that the transfer of rights in the geothermal assets to Company's subsidiaries was not completed, and that their ownership and rights structure requires a complex legal and accounting review yet to be completed. Furthermore, regarding most geothermal assets, legal procedures are pending with condominium corporations arguments of being overcharged for the use of those systems'. In some cases, the corporations ceased paying or demanded to deposit the funds with a trustee, and collection procedures were taken against them.
33. Currently, the Canadian officer is undertaking a preliminary discussion with interested parties, to appraise the option of selling the Group's holdings in all geothermal assets. Conclusions of said discussions are expected in late April, and in any case any such realization transaction will be subject to the approval by the Canadian Court. The Functionary estimates that fundamental progress in the assets' realization will entail the completion of collection and claims procedures vs. condominium corporations as detailed above.

34. In light of that mentioned, the Functionary cannot estimate at this stage the expected date for geothermal assets' realization and/or their realization values.

D.2. The Downsview Project

35. As mentioned in Motion 29, the Downsview project is an entrepreneurial construction project held by a Company subsidiary – Urbancorp Downsview Park Development Inc. (hereinafter: "UC Downsview") - in the rate of 51%, in conjunction with the Mattamy Company (49%). Mattamy is also the project's development and construction manager.
36. There is an agreement with BCIMC Construction Fund Corporation for a construction funding regarding the project totaling approximately 225 million Canadian Dollars (hereinafter: the "Funding Agreement"), as well as an agreement with the partner, Mattamy, according to which Mattamy provides funding for UC Downsview's share in the equity capital required under the Funding Agreement. For providing UC Downsview's share in the equity required under the Funding Agreement, the latter is charged an annual interest of 15%, as approved by the Canadian Court.
37. According to information provided to the Functionary, it could be estimated that UC Downsview's holdings in the project would be of a substantial value, upon the completion of project development and construction.
- However, in light of the desire to complete the repayment of Group subsidiaries' debts in the foreseeable future, and in light of the high funding costs to which UC Downsview is obligated due to the provision of the equity required of it by Mattamy, the Functionary is examining various options for the realization of UC Downsview's holdings in the project, even before its development is completed. The Functionary received a preliminary inquiry from a third party regarding such an option.
38. Said realization is of course subject to the consents of third parties as determined in the agreements signed by UC Downsview regarding the

project, to an organized procedure and to the necessary Canadian Court approvals.

39. In light of that mentioned, the Functionary cannot estimate at this stage the expected date for the realization of Company holdings in UC Downsview and/or the expected realization values.

E. Debt Claim and Legal Procedures Against the TCC BAY Company

40. As detailed in Motion 29, according to the Bonds' issuance prospectus (hereinafter: the "**Prospectus**") the controlling shareholder and his family members undertook to assign in favor of the Company their right to receive loans from corporations held by them, in a total amount of 8 million Canadian Dollars (hereinafter: the "**Rights' Assignment**").

41. In reality, the Rights' Assignment was performed through an undertaking by the TCC/Urbancorp (Bay) Limited Partnership (hereinafter: "**TCC Bay**"), a corporation 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. That undertaking, allegedly regulated under a promissory note was assigned to the Company in December 2015, as part of the controlling shareholders' undertakings regarding the Bonds' issuance.

42. TCC Bay, which is not part of the interests transferred to the Company's ownership, is also undergoing insolvency proceedings handled by KSV Kofman Inc. as officer ("**Monitor**") (hereinafter: the "**TCC Monitor**"). The TCC Monitor acted to realize TCC Bay's assets, and according to information provided to the Functionary, agreements were entered for the assets' sale for significant amounts. According to the information currently held by the Functionary, these amounts should enable the repayment of most of TCC Bay's debts, including those assigned in favor of the Company by virtue of the Rights' Assignment.

43. The Functionary filed with the TCC Monitor a debt claim totaling approximately 8 million Dollars by virtue of the Rights' Assignment. That debt claim was fully disallowed by the TCC Monitor on December 9th 2016. The result of said disallowance is an expected payment of millions

of Dollars in favor of companies controlled by the controlling shareholder and his family members, who hold the interests in TCC Bay.

Since the debt claim's disallowance and as at this report, the Functionary negotiated this matter with both the TCC Monitor and the controlling shareholder and his representatives.

44. According to the TCC Monitor, pursuant to information held by him there were no monies owing to the Holder of the Promissory Note (a company also owned by the controlling shareholder), who assigned it to the Company and accordingly no force to TCC Bay's liability towards the Company.

"5" A copy of the TCC Monitor's disallowance notice is attached herewith as **Appendix 5**.

45. In his response to the disallowance, the Functionary indicated that (inter alia) the Company is a "holder in due course"; that the Company provided significant value against the Rights' Assignment under the IPO; that according to information provided to him, a real undertaking was at the base of the assigned undertakings; and that it would be unfair, immoral and incorrect to allow the controlling shareholder and his family members to receive proceeds from TCC Bay instead of their payment to the Company, let alone that to the best of the Functionary's knowledge, the controlling shareholders are not denying their undertaking and the debt assignment which was a condition for the Company's Bonds issuance.

46. The Functionary approached Mr. Saskin and his wife and clarified that the TCC Monitor's position is explicitly contradictory to the representations made under the Prospectus, as well as information provided to Company's Board, the Israel Securities Authority and other entities. Thus, the abovementioned were requested to urgently provide the TCC Monitor with the information necessary to give complete force and effect to the Rights' Assignment, and consent (should the debt claim be disallowed) to the assignment to the Company of up to \$8 million plus

interest, so that the Company and not the Saskin family will receive the benefit of the sale of TCC Bay's assets (up to the rights assigned in December 2015, by virtue of the Rights' Assignment).

47. As at this report, the controlling shareholder and his family members' have not consented to the Functionary's demand.
48. Accordingly, the Functionary filed on February 24th 2017, a motion with the Canadian Court, according to which the court is requested to approve the Rights' Assignment's validity, or alternatively order that first proceeds from the consideration of the sale of TCC Bay's assets payable to its shareholder, held by Mr. Saskin's wife, will be held in trust in favor of the Company and paid to the Functionary for the Company.
49. The hearing in the Functionary's motion in the Canadian Court was set for May 2nd 2017.
50. The Functionary is simultaneously reviewing additional legal actions to protect the Company and its creditors' right, including regarding that matter.

"6" A copy of the Functionary's response to the Monitor's disallowance notice and the motion filed with the Canadian court dated February 24th 2017, is attached herewith as Appendix 6.

F. Investigations and the Possibility of Initiating Procedures and Claims Against Third Parties

51. The Functionary continues investigating and formulizing conclusions regarding other entities' involvement and responsibility in Company management prior to, during and following its raising of the Bonds' funds.
52. As part of those investigations, beyond the examination of the responsibility and actions of the controlling shareholders (for example – see chapter C above) and those acting on their behalf, are examined, *inter alia*, the involvement and responsibility of various creditors of the controlling shareholder and companies under his control, which as result of the Bonds' raising managed to retrieve millions of Dollars at the expense of debts, the collection chances of which from the controlling

shareholder and the companies under his control were most problematic.⁵

53. The responsibility of professional consultants and various service providers, economic, legal and accounting, in Canada and Israel prior to, during and following the Bonds' issuance is also being examined.

Investigation reports and motions for the approval of legal actions will be filed separately.

G. Progress of the Approval of a Company's Creditors Arrangement and Miscellaneous

G.1. Creditors Arrangement

54. Following the Court's approval dated January 29th 2017 in Motion 29, the Functionary intends to convene creditors' meetings for the approval of a creditors' arrangement proposal plan, which will mainly include the distribution of Assets' Realization Proceeds upon their receipt.

55. The arrangement proposal is expected to be published during the coming weeks in Hebrew and English and will be brought for the approval of the Company's creditors' meeting to be simultaneously held in Israel and Canada, as detailed in the Functionary's report number 7 dated February 8th 2017, likely during May 2017.

G.2. Tax Returns

56. During March 2017, the Functionary filed in Canada an application for tax refunds on behalf of the Company for the period of June 19th 2015 until December 31st 2015.

57. On January 13th 2017, the Functionary filed an application for HST refund in the sum of approximately 228 thousand Canadian Dollars. The Functionary's Canadian consultants estimate that the HST authorities' decision is expected within 3 months of its filing.

⁵ And first and foremost by an entity called Terra Firma Capital Corporation and its related entities, which according to the information received by the Functionary were the main beneficiaries of the repayment of Company and subsidiary debts by bonds issuance proceeds, in an aggregate amount of approximately 41 million Canadian Dollars.

G.3. Canadian Procedures' Funding

58. On March 14th 2017, the Canadian Court's approval was received for the continued funding of Canadian legal procedures out of subsidiary funds under the General Insolvency Proceedings, according to the funding agreement signed in that matter with the Monitor. As instructed by the funding agreement, the Functionary required the Canadian Court's approval once proceedings' expenses (including legal consultants, financial consultant and current expenses reimbursement) exceeded 1 million Canadian Dollars.

59. In light of said Canadian Court's approval, the Functionary could continue funding the Canadian procedures' costs (according to engagement agreements approved in this case) using the funds received from the realization of the Canadian subsidiaries' assets, in accordance with the terms of the funding agreement, and up to a total of 1.9 million Canadian Dollars.

"7" A copy of the Canadian Court's order dated March 14th 2017, is attached herewith as **Appendix 7**.

H. Functionary's Appointment Extension

60. In order to enable the Functionary to seek the approval of the creditors arrangement proposal as detailed above and perform it, the Functionary hereby files in advance a motion for the extension of his appointment according to the appointment order granted on April 25th 2016 (hereinafter: the "**Appointment Order**"). The extension is requested for a term of 90 days, as of the end of current appointment extension term, April 21st 2017 (according to the honorable court's decision in Motion 29 dated January 9th 2017), until July 21st 2017.

61. The special grounds at the base of the Functionary's motion for appointment extension beyond nine months as instructed by section 350B of the Companies Law of 1999, are as follows:

- (A) This is a company incorporated and registered according to Canadian law, which issued securities in Israel, and which according to its Prospectus is subject to two legal systems (Canadian and Israeli). Furthermore, the location of Company assets in Canada lays additional constraints by virtue of Canadian law, as detailed above. The need for current conduct and approval under two judicial and\or legal systems results in significant complexity.
- (B) The Canadian Court recognized the Functionary's authorities according to the Appointment Order, and that is also the base according to which the co-operation protocols with the Canadian monitors were approved; it may be that failure to extend the appointment and\or the holding of liquidation procedures in this procedure will expire and\or at least require mandate renewed approval and recognition of the Functionary's authorities. Furthermore, the Functionary was informed by his Canadian representatives that a Canadian company's liquidation procedure could only be performed by an appropriately licensed Canadian officer.
- (C) As at this motion, the entire Assets' Realization Proceeds could not yet be distributed, as detailed above, due to disputed debt claims under the General Insolvency Proceedings. Those distributions are expected to be performed gradually according to the manner and schedules of the Disputed Claims' proceedings under the insolvency procedures of Group subsidiaries, as detailed above.
- (D) As at this motion, proceedings are held and\or reviewed for the realization of additional Company assets and rights both under the General Insolvency Proceedings and under the Edge Group proceedings, which together could lead to a significant contribution to the Company.

Yael Hershkovitz, adv.

Gilad Bergstein, adv.

Representing the Urbancorp Inc. Functionary

Today, March 30th 2017, Tel Aviv

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. c-36, AS AMENDED, AND IN THE MATTER OF URBANCORP INC., APPLICATION OF GUY GISSIN, THE FOREIGN REPRESENTATIVE OF URBANCORP INC., UNDER SECTION 46 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

RECOGNITION ORDER
Fifth Israeli Extension Order
(May 8, 2017)

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. c-36, AS AMENDED, AND IN THE MATTER OF UCI, APPLICATION OF GUY GISSIN, THE FOREIGN REPRESENTATIVE OF URBANCORP INC., UNDER SECTION 46 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

**ONTARIO
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(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**MOTION RECORD
(Returnable May 8, 2017)**

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