

THE DISTRICT COURT
IN TEL-AVIV

LIQUIDATION CASE 44348-04-16

IN THE MATTER OF:	THE COMPANIES LAW, 5759-1999 THE COMPANIES ORDINANCE [NEW VERSION] 5743-1983	<u>THE COMPANIES LAW</u>
AND:	URBANCORP, INC. CANADIAN COMPANY NO. 2471774	<u>THE COMPANY</u>
AND:	ADV. GUY GISSIN – THE COMPANY'S FUNCTIONARY BY ATTORNEY ADV. Yael HERSHKOVITZ AND/OR GILAD BERGSTIN AND/OR MICHAEL MISUL OF THE LAW FIRM OF GISSIN & CO., ADVOCATES OF 38B HA'BARZEL ST, TEL AVIV 69710 TEL: 03-7467777, FAX: 03-7467700	<u>THE FUNCTIONARY</u>
AND:	THE OFFICIAL RECEIVER 2 HA'SHLOSHA STREET, TEL AVIV TEL: 03-6899695, FAX: 02-6467558	<u>THE OFFICIAL RECEIVER</u>

UPDATE REPORT NUMBER 9

INVITATION TO CREDITORS' MEETINGS AND PUBLICATION OF AN ARRANGEMENT
PLAN IN ACCORDANCE WITH THE PROVISIONS OF SECTION 350 OF THE
COMPANIES LAW, 5759 – 1999

In accordance with the details that were contained in the framework of the Motion to extend the appointment of the Functionary and to issue an order to convene creditors' meetings (motion No. 29) dated 8.1.2017 (hereinafter: "**Motion No. 29**"), and update report No. 8 that was filed on the 30.3.2017 (Motion No.36) (hereinafter: "**Report No. 8**"), the Functionary of Urbancorp Inc. (hereinafter: "**the Company**"), is hereby honored to bring before the Honorable Court the terms of the Creditors' Arrangement Plan which, in principle, distributes the proceeds from the realization of the assets of the Company's subsidiaries, as detailed below (hereinafter: "**the Arrangement Plan**"). The Arrangement Plan will be brought for approval at the

Company's creditors' meetings, according to the principles that have been detailed in Motion 29.

The Arrangement Plan will be published in Hebrew and in English and will be brought for approval at a meeting of the Company's creditors' that will be held simultaneously in Israel and in Canada, as detailed in the Functionary's Report No. 7 dated 8.2.2017 and below. In the event of inconsistency between the Hebrew and the English version of the Arrangement Plan or any document related to this Arrangement Plan, the Hebrew version shall prevail to the extent of any such inconsistency.

This Report should be read together with Report No.8 detailing the sources and the expected proceeds for payment of the Company's debts, and the expected date of receiving such proceeds.

"1" A copy of Report No.8. is attached to this Report as Appendix No.1.

A. THE INFORMATION CONTAINED IN THIS REPORT

1. This report details the Arrangement Plan, which as long as it is duly authorized by the creditors and by the court in Israel and recognized by the court in Canada, will enable the organized management of the Company's debts, the organized realization of the Company's assets and its rights, and distribution of dividends to the Company's creditors out of the funds that will be received from the realization of rights and assets.
2. The information contained in this report and its Appendices, is based on un-reviewed and unaudited financial information that is currently in the Functionary's possession. Most of the information was obtained from the Company's and its subsidiaries' books and records. This information was provided to the Functionary, further to his investigation and requirement and pursuant to the cooperation protocols signed by and between him and

the officers appointed by the court in Toronto¹, which manage the subsidiaries also undergoing insolvency proceedings under the Companies' Creditors Arrangement Act (hereinafter: "**the CCAA**"). The Functionary and his Canadian representatives have been receiving on-going information from the Canadian officers and their representatives. No audit or verification of all the information provided has been undertaken. Accordingly, no representations are made as to the accuracy or completeness of the information and all information is subject to further review.

3. Some of the information contained in this Report and its Appendices, are forward looking statements, particularly regarding assets and rights' realization procedures on one hand, and the review and determination of the rights of various companies' creditors in the Urbancorp group of companies (hereinafter: "**the Group**"), on the other hand. As detailed below, such proceedings have not been completed yet. The information in this report is based on the reasonable estimates of the Canadian officers regarding the quantum of disputed claims that could be allowed /dismissed against the Group's subsidiaries. Accordingly, estimates of such realizations are uncertain due to their dependence, *inter alia*, upon external factors and foreign law, over which the Functionary has limited influence.
4. The inclusion of the information provided by the Canadian officers contained in this Report and its Appendices, does not constitute the consent and/or confirmation on the Functionary's part of the amounts, working estimates, and/or evaluations, that are included therein and the Functionary reserves all rights and claims regarding any such information.

¹ See Appendix 1 of Report No.3 dated May 20th, 2016 and Appendix 1 of the Application for Instructions dated June 13, 2016.

B. INVITATION TO CREDITOR'S MEETINGS AND SHAREHOLDER MEETING

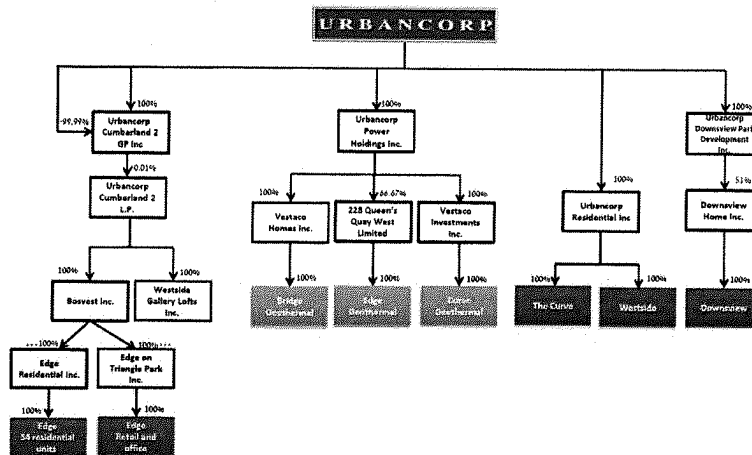
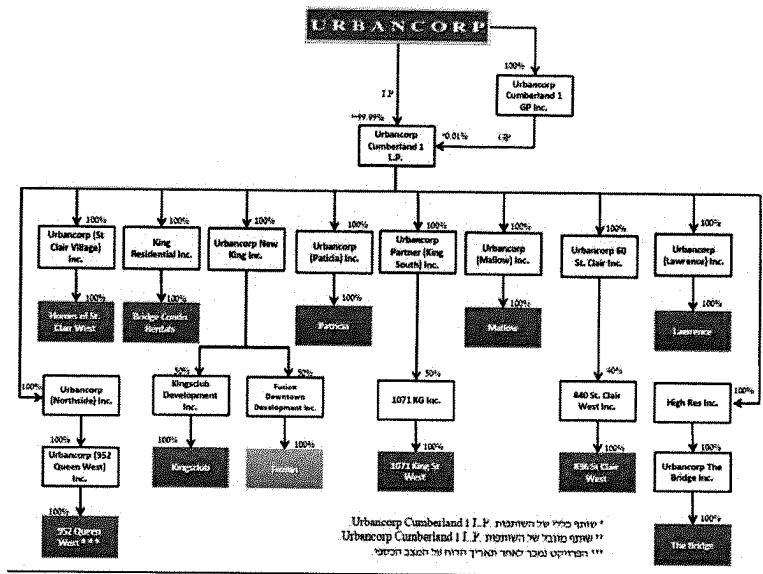
5. Further to the Court's decision dated 9.1.2017, in Motion 29, an unsecured creditors' meeting is summoned on the 24th of May, 2017 at 17:00 local Tel Aviv time, and local 10:00 Toronto time, and a secured creditors' meeting on the 24th of May, 2017 at 16:00 local Tel Aviv time. As is customary, in the preparation for convening creditors' meetings, a preliminary meeting of the bondholders (hereinafter: "**the Bondholders**") will be held in coordination with Reznik Paz Nevo Trusts Ltd, the Bondholders Trustee (hereinafter: "**the Bondholders Trustee**" or "**the Trustee**"), in order to request and instruct the Trustee on how to vote at the creditors' meetings.
6. The unsecured creditors' meeting will be held simultaneously, at the office of Adv. Guy Gissin & Co. 38B HaBarzel St., Tel Aviv, Israel and at the office of the Functionary's lawyer in Canada, Dentons Canada LLP, 77 King Street West, Suite 400, Toronto, by using the means of communication that enables the Canadian creditors to participate in the meeting and vote at the meeting without the need to come to Israel. Creditors will be provided the option to vote through voting letters in the Hebrew and English languages.
7. Suitable notices of convening creditors' meetings will be published in accordance with the law in Israel and in Canada.
8. The creditors' meetings, and also the preliminary Bondholders' meeting, will be conducted as detailed in Motion 29.
9. Likewise, a shareholders' meeting will be summoned for the 24th day of May at 11:00 local Toronto time at the office of the Functionary's lawyer in Canada, Dentons Canada LLP, 77 King Street West, Suite 400, Toronto. In light of the Company's insolvency, it is questionable if the approval of the Company's shareholders' is required in order to confirm the Arrangement Plan, since the shareholders are subordinated to creditors until full payment of the Company's debts, including arrangement expenses. A shareholders' meeting is being convened in order to satisfy the provisions of the Securities Law and its Regulations. However, even if the Shareholders' approval is not granted, but approval from the creditors' meetings is obtained, the

Arrangement Plan in its entirety will be brought to the Honorable Court for its approval.

C. DESCRIPTION OF THE COMPANY'S BUSINESS

10. The Company was incorporated in Canada in June 2015 for the sole purpose of raising debt in Israel from the issuance of public bonds. In December 2015, the Company published a prospectus (hereinafter: "**the Issuance Prospectus**") and issued about NIS 180,000,000 nominal value Bonds (Series A) (hereinafter: "**the Bonds**"), which were registered for trading on the Tel-Aviv Stock Exchange.
11. According to the Issuance Prospectus, Alan Saskin, through a company wholly owned by him (Urbancorp Holdco Inc. (hereinafter: "**Holdco**")), holds the Company's entire issued and paid up share capital and the voting rights therein. Mr. Saskin served as the Company's chairman of the board of directors, chief executive officer and president, until the Functionary's appointment.
12. At the date of filing this Motion, the Company's securities are as follows:
 - (a) The Company's Bonds (Series A), in the total amount of NIS 180,583,000 par value (security number in the stock exchange 1137041).
 - (b) 100 common shares of the Company, without par value, held by Holdco. In light of the controlling shareholder's personal insolvency proceedings, Holdco is managed by Fuller Landau, the proposal trustee in such proceedings.
13. The Company is a Canadian company, which is regarded as a "reporting entity" in light of the issuance of Bonds on the Tel-Aviv stock exchange. Beginning shortly after the issuance of the Bonds (December 2015), the Company, through subsidiary corporations, carried on business developing, purchasing, leasing and selling commercial and residential land and buildings and geothermal assets, in Toronto, Canada.

The Chart of the Company's Principal Holding Structure According to the Issuance Prospectus



14. As detailed in the framework of Chapters B' and C' of Report No.8, most of the Group's assets are in various stages of realization in CCAA proceedings in Canada. The realization of the remaining Group assets is being undertaken:

- (i) in cooperation with KSV Kofman Inc., which was appointed as officer

(hereinafter "**the Monitor**") in the framework of the CCAA proceedings with respect to most of the subsidiaries in the Group (hereinafter: "**the General Insolvency Proceedings**"); and (ii). in cooperation with Fuller Landau Group Inc. (hereinafter "**Fuller Landau**"), which was appointed as officer with respect to another group of subsidiary companies (hereinafter "**the Edge Monitor**"), all as detailed in Chapter D of Report No.8.

D. THE COMPANY'S DEBTS AND ADDITIONAL DATA

15. The Company and its subsidiaries are undergoing insolvency proceedings in Israel and in Canada. The Functionary, appointed by the court in Israel and recognized in Canada, currently manages the Company, in place of the Company's directors and officers. Accordingly, there is difficulty in obtaining all the information required in accordance with Regulation 7 of the Companies Regulations (Request for Compromise or Arrangement), 5762 - 2002 (hereinafter: "**the Arrangement Regulations**").

16. Therefore, the Honorable Court was requested and approved on April 27, 2017, pursuant to Regulation 8 of the Arrangement Regulations, an exemption from submitting full details in the form required in Regulation 7 of the Arrangement Regulations, with respect to the Company's assets, its obligations, financial data, etc.

17. Therefore, and in accordance with the Court's approval as above mentioned, the information in this Chapter C, together with financial information detailed in Report No. 8, and the Company's Financial Statements for 2015 that has been -neither reviewed nor audited, will constitute the disclosure required for approving the Arrangement Plan, subject to the reservations included in the beginning of this Report (hereinafter: "**the Disclosure Report**").

"2" A copy of the Company's Financial Statements for 2015, which are the neither-reviewed nor audited, is attached hereto as **Appendix No. 2.**

18. Below are details regarding the Company's debts and details regarding the security that was provided to secure such indebtedness.

19. The main creditors of the Company are the Bondholders. On 7.12.2015 the Company and the Trustee signed a deed of trust (hereinafter: "**the Deed of Trust**"), in the framework of the Issuance Prospectus, in which NIS 180,000,000 par value Bonds, was raised, as stated previously.
20. Out of the amount of NIS 180,583,000 that was raised under the Issuance Prospectus, an amount of approximately 8.5 million New Israeli Shekels remains with the Trustee in accordance with the provisions of the Deed of Trust as a reserve for interest and expenses. From this amount NIS 500 thousand was transferred to the Functionary, in order to finance the legal proceedings in Israel and Canada. As of the date of this Motion, the reserve balance in the Trustee's account amounts to approximately 8 million NIS.
21. In addition, the principal amount of the Bonds, as stated above, in accordance with the terms of the Deed of Trust, bears annual interest at 8.15% until 12.4.2016, and annual interest of 8.65% commencing from 12.4.2016, as a result of a reduction in the rating of the Bonds. The Deed of Trust provides additional interest for delay at an annual rate of 3% on the unpaid balance of the debt.²
22. As of the date of filing this Motion, the Functionary approved the Trustee collecting the contractual interest up to the date of the Functionary's appointment (25.4.2016) being the date of the stay of proceedings order.³
23. The Bonds are secured by the following charges:
- (a) A fixed exclusive first charge, unlimited in amount, on the dedicated account, which is the account to which the issuance funds has been transmitted and the account to which it has been committed to transfer the full surplus⁴ which is received from the Backup Projects (as defined in footnote 5 below).⁵

² The Bonds were called for immediate payment according to the decision of the debenture holders dated 5.5.2016.

³ See in this matter, also the Official Receiver's position, with respect to the motion to extend the Functionary's appointment dated 19.9.2016, according to which the order of appointment is the relevant date regarding the counting of days in accordance with the provisions of Section 350b of the Companies Law.

⁴ "**Surpluses**" as defined in the Deed of Trust include "All the funds which will be due to the Company and/or the subsidiaries in the event of sale of the back-up project, partly or wholly, except for

- (b) A fixed, exclusive first charge, unlimited in amount, of the full rights of the Company, under the owners' loans granted from the Issuance funds for the Back-Up Projects (as defined in the Issuance Prospectus), for as long as the owners' loans have not been repaid by the Company's subsidiaries.
24. As part of the decision in the debt claim of the Bondholders' Trustee, the Functionary acknowledged the components of the debt claim of the Trustee which were allowed as a secured debt only up to the amounts which would be actually received from the repayment of any of the owners' loans which the Company provided for the Back-up Assets (as defined in the Issuance Prospectus).
25. Other than the Bondholders, the Functionary is not aware of any other creditors of the Company having a secured claim.
26. In addition to the Bonds, debt claims were filed in the aggregate amount of NIS 8.5 million (contingent claims excluded), by service providers to the Company and by officers and the subsidiaries of the Company. Out of the debt claims that were filed, the Functionary, as of the date of filing this Motion, has allowed debt claims in the aggregate amount of approximately NIS 1.6 million.⁶
27. Full details of the debt claims decisions are set out in Report No.7, dated 8.2.2017 ("**Report No.7**"). This Report was approved by both this Court and the Canadian court. In relation to the decisions on the debt, one appeal was filed in Israel (as detailed in paragraph 31 below), and four appeals were filed in Canada, which as described in Report No.7, are being handled, in accordance with Canadian law, before the court in Canada (except with

amounts required for the payment of all debts to the lenders financing the relevant project, with respect to that project, plus the Permitted Amounts. In this regard, it should be clarified, that the Company and/or the subsidiaries will be permitted, at any time, at their sole discretion, without obtaining the approval of the Trustee and/or the holders of the Bonds, to sell one or more of the backup projects provided that the proceeds due to the Company will be transferred to the dedicated account."

⁵ The Backup Projects are the Back-up Assets together with the Downsview project.

⁶ The amounts are based on the exchange rate as of 25.4.2016, date of of the Functionary's appointment (2.9731 NIS for 1 Canadian Dollar) and may change accordingly.

respect to Mr. Saskin's appeal who in the Issuance Prospectus undertook to acknowledge Israeli law and jurisdiction). All the Canadian claims under dispute (contingent claims excluded), are in the aggregate amount of 810,303 Canadian dollars ("**Disputed Debt Claims**").

28. The following is a summary of the debt claims which the Functionary received, along with the amount approved with respect to each claim:

Creditor	Amount Filed	Claim Summary	Approved Amount
Shimonov & Co., Attorneys at Law	USD 10,838	Fees due for ongoing legal services provided to the Company	USD 10,838
	USD 20,000	Special Fee for preparing annual reports for 2015.	*****
Matri, Meiri & Co., Attorneys at Law	Up to USD 125,000	Fees for representation of the Israeli Directors in the Class Action of Tuvia Fachold Vs. Urbancorp, Inc. and Others (Class Action no. 1746-04-16) (Hereinafter: " The Class Action ")	Up to USD 125,000, subject to presenting adequate invoices
PWC Canada	CAD 34,590	Fees for providing services of valuation reports audit	CAD 34,590
Mr. David Mandel (Officer / Director)	CAD 6,899	Out of pocket expenses borne by the Creditor on behalf of the Company	CAD 6,899
	CAD 7,440,020	Indemnification claim contingent upon the outcome of claims filed against Mr. Mandel in his capacity as a Director of the Company	*****
Janterra Real Estate Advisors, Inc.	CAD 53,223	Fees for preparing appraisal opinion for commercial real estate	*****

Creditor	Amount Filed	Claim Summary	Approved Amount
WestSide Gallery Lofts, Inc.	CAD 256,791	Payments borne for the Company	CAD 160,000
Urbancorp Toronto Management Inc. (UTMI)	CAD 374,676	Payments for management fees and services provided as well as reimbursement for expenses borne for the Company	*****
Barry Rotenberg, Harris Sheaffer LLP	CAD 139,080	Fees for legal services provided	*****
Homelife Landmark Realty, Inc.	CAD 618,000	Commission payments for brokerage services provided	*****
148614 Ontario Inc. (formerly carrying on business as Coldwell Banker Case Realty)	CAD 171,592	Commission payments for brokerage services provided. This creditor and the Functionary agreed to a court order setting aside the judgment against the Company.	*****
Midnorthern Appliance	CAD 715,191 plus interest	Payments due for supply and installing of equipment	*****
Israeli Directors Dr. Eyal Geva, Mr. Ronen Nekar, Mrs. Daphna Aviram	NIS 221,018	Directors compensation - payroll	NIS 221,018
	NIS 42.2 million	NIS 42.2 million. Indemnification Claim – Class Action	*****
Mr. Ma'aravi Yitzhak Former Notes holder	NIS 24,484	Damages for selling Company Bonds in loss during the month of April 2016	*****
Apex Issuances Ltd.	Undisclosed	Claim contingent on the outcome of the class action suit no. 16552-04-16 based on	*****

Creditor	Amount Filed	Claim Summary	Approved Amount
		the Company's Indemnification Undertaking	
Registration Co. of Mizrahi Tfahot Ltd.	NIS 32,296	Fees for registration company services provided	NIS 32,296
Raznik, Paz, Nevo - Series A Notes trustees	NIS 191,553,788	Payments of principal, interest and interest on arrears on the Bonds	NIS 186,053,675
	NIS 608,930	Trustee compensation and expense reimbursement including fees to their attorney	NIS 608,930 Subject to presenting adequate invoices
Mr. Alan Saskin	Undisclosed	Contingent claim for indemnification	*****
KSV, Monitor for the Company's subsidiaries under the CCAA	Undisclosed	A claim without a specified amount, which may be based on transactions and/or undertakings by and among the companies in the group, pre-insolvency	*****

29. The Functionary received a number of contingent debt claims from the controlling shareholder, service providers to and officers of the Company. These debt claims are based on the Company's alleged undertaking to indemnify these parties for any damages incurred a result of class actions filed against them in connection with the collapse of the Company. The Functionary's position is that this indemnity obligation, with respect to each particular case, to the extent that one exists, is in any event limited, on the one hand based on the relevant agreement and also by virtue of the Company's decision dated 15.3.2016, to an amount not exceeding 25% of the Company's equity. Given the Company's insolvency, no equity value

whatsoever can be attributable to the Company until all the debts are fully repaid, including all the expenses of the Company's insolvency proceedings.

30. For the above mentioned reasons, amongst others, the Functionary disallowed all the contingent debt claims.
31. One of the disallowed contingent debt claims, was filed by three of the Company's Israeli directors (Mr. Ronen Nekar, Mrs. Daphna Aviram and Dr. Eyal Geva). These directors filed an appeal of the Functionary's decision dismissing their contingent debt claims (Civil Appeal 33007-01-17). The Functionary reached an arrangement with the directors, in this proceeding, that was confirmed by the Court on the 1.3.2017 (and in the amended decision dated 2.3.2017). This arrangement dismissed their appeal but also amended their contingent debt claim so that the appellants' rights by virtue of the letters of indemnification provided to them by the Company will have the status of subordinated debt, after full repayment of all other creditors and including the full expenses of the insolvency proceedings – but prior to the repayment to the Company's shareholders', directly or indirectly. The indemnification shall not exceed an amount equal to 25% of the Company's equity on the date of actual payment.
32. The Functionary received a debt claim from a former Company bondholder, for (alleged) damages resulting from a loss in selling the Company's Bonds in April 2016. In addition, the former holder filed Application No. 23 for Instructions, in this proceeding, within which he requested this Honorable Court to instruct the Functionary to acknowledge the debt claims of the former bondholders in accordance with the difference between the purchase price of the bonds and the loss actually incurred. On 24.1.2017 the Court dismissed the application. Whilst determining that the debt claim has been disallowed, the applicant reserved his full claim with respect to Class Action 1746-04-16 Fachold vs. Urbancorp et al (see below).
33. Moreover, Mr. Tuvia Fachold filed a request for approval of a class action in the amount of approximately NIS 42 million (Tel Aviv District) against the Company, its controlling shareholders and additional officers. In the Honorable Court's decision dated 14.11.2016, approval was granted to

- continue managing the request for approval of the class action against the Company, subject to Mr. Fachold depositing the amount of NIS 75,000 in the court fund, for ensuring the Functionary's expenses with respect to the claim. The amount mentioned was deposited by Mr. Fachold in the court fund on 29.11.2016 (the decision dated 6.11.2016 Request 10).
34. On 14.3.2017, Mr. Fuchold filed an application to instruct the Functionary to set aside monies in the creditors' fund in respect of the class action (Request No.34). On 26.4.2017, the Functionary submitted his objection to the application to set aside monies, inter alia, as the application is theoretical as there is no motion to the honorable court to approve any distribution, as Mr. Fuchold is not currently a creditor of the Company, and since he has not clarified the amount claimed on behalf of former bondholders. The court ordered Mr. Fuchold to respond to the Functionary's response by 21.5.2017.
35. Likewise, Apex Issuances Ltd. (which was the main underwriter of the Company's Bonds issuance in December 2015), filed a request for permission to file a third party notice against the Company, within a request for approval of a class action suit filed by another class action plaintiff – Mrs. Naomi Monrov vs. Apex, (Request No.24). In Apex's reply to the Functionary's response, Apex noted that as far as the application may be approved, it would waive the debt claim filed with the Functionary, as specified in paragraph 36 below. In the hearing that took place on 24.4.2017, the court instructed that Apex's claim shall be dealt with in the framework of its appeal from the Functionary's disallowance of Apex's claim. Therefore the court instructed Apex to file a notice of appeal as aforesaid by 28.5.2017, and the Functionary is to respond to such appeal by 28.6.2017.
36. The Class Plaintiff, Mr. Fuchold, did not file a debt claim. Apex did file a debt claim, "whose existence and its amount are contingent on the results of the Class Action suit" that was filed by Mrs. Monrov. The Functionary disallowed Apex's debt claim. On 9.1 2017 the court approved Apex's motion to extend the date for filing an appeal of the Functionary's decision on the debt claim until the decision in Request No. 24 (Motion No.30).

"3" a list of the Substantive Legal Proceedings to which the Company is a party edited in accordance with Form 6 of the Addendum to the Arrangement Regulations is attached hereto as **Appendix No. 3**

37. In order to avoid, as far as possible, using reserve funds that have been left by the Bondholders in order to finance legal proceedings,⁷ the Functionary reached an agreement with the Monitor with respect to financing the costs of the legal proceedings in Canada, out of existing funds and/or funds that may be received by the Company's Canadian subsidiaries up to the amount of 1.9 million Canadian dollars, or any increased amount, that will be agreed upon with the Monitor in the future and approved by the Canadian Court. As of the date of this Report, the costs of administration of legal proceedings in Canada amount to approximately 1.35 million Canadian dollars, including the costs of employing the Functionary's financial and legal Canadian consultants (approved by the court) totaling approximately 1.32 million Canadian dollars, and various expenses including accounting (preparation of financial statements) and trips to Canada, in the amount of approximately 30 thousand Canadian dollars.

E. THE PROPOSED DEBT ARRANGEMENT

E1. General

38. In the framework of this chapter, we will place before the Honorable Court the principles of the Arrangement Plan, which, as stated in the introduction are as follows:

- (a) **Distributing the Proceeds Realized from the Group**, as detailed and in accordance with the anticipated time schedule that is included in Report No.8, including **an interim distribution expected to be as of the date of the report in the sum of approximately 20 million**

⁷ See the decision of the Bondholders from 8.5.2016 with respect to the non distribution of monies from out of the interest cushion that has been deposited to secure the debenture interest, for funding administration expenses, subject to the law and court approval (reference no. 2016-10-061312).

Canadian dollars out of the Assets' Realization Proceeds (as defined in Report No.8) anticipated during the months of May or June 2017.

- (b) Distribution of amounts that may be received from Assets' Realization Proceeds from the Group in accordance with future asset realizations and/or the process of resolving disputed debt claims, all as detailed in Report No.8.
- (c) **Distribution of amounts that may be received as a result of legal proceedings** that might be taken against third parties and/or the controlling shareholder, his family members and companies controlled by them, with respect to a breach of undertakings in the Issuance Prospectus and/or transactions that have been unlawfully undertaken,, all as detailed in the framework of Report No. 8.
- (d) Taking actions in order to **continue the realization on assets that have already been approved** by the Canadian court, as detailed in Report No. 8.
- (e) **Examining the possibility of realizing additional Group assets**, and, in particular, the rights in the Downsview project and geothermal assets, as detailed in Report No.8.
- (f) **The continued investigation of the circumstances for the collapse of the Company may lead to taking action against various parties who were involved in the Company's collapse.** With regard to the potential proceedings against the controlling shareholder, because of his personal insolvency proceedings, it is unclear what the rate of return (if at all) that the Company may be able to collect in the framework of any such proceedings.
- (g) Assignment of claim rights of Bondholders to the Arrangement , in order to institute actions and legal proceedings against third parties who in accordance with the investigations performed by the Functionary were involved in the collapse of the Company in Israel and in Canada, including the controlling shareholder and third parties,

professional consultants, underwriters etc., and instructions required to finance activities as stated.

- (h) **Maintaining Reserves** out of the funds that may be received as a result of the Group's assets realization and/or rights to claim for repaying (as necessary) the proportional part of **Disputed Claims** and/or in accordance with the Honorable Court's decision the proportional part of the required amounts in connection with the class action law suits, as detailed below.
- (i) **Maintaining Reserves** out of the funds that may be received as a result of the Group's assets realization and/or rights to **fund legal proceedings** by the Functionary in Canada.

E2. DEFINITIONS

"Bonds"	The Company's Bonds (Series A) in the total amount NIS 180,583,000 par value (security number in the stock exchange 1137041);
"Court"	The District Court in Tel Aviv –Yafo.
"The Arrangement" or "Arrangement Plan"	The creditors' arrangement pursuant to Section 350 of the Companies Law, 5759-1999, as detailed in this Motion and its Appendices.
"Conditions Precedent"	The conditions precedent to perform the arrangement and the activities as detailed in this arrangement Plan, as detailed in Chapter E8 below.
"The Arrangement Plan Effective Date"	The date of fulfillment of the Conditions Precedent.
"Business Day"	Any day, other than Saturday or Sunday, when most of the banks in Israel and in Ontario, Canada are open for business.
"The Realization Proceeds"	The proceeds of realization of the subsidiaries assets, as detailed below and in Report No. 8.
The Company's	The Company's net proceeds, that may actually be

Proceeds"	received from the Realization Proceeds and/or the legal proceedings proceeds, after the deduction of realization expenses, taxes, the return of mortgages, debt priority rights and those alike.
"Legal Proceedings Proceeds"	Legal proceeding proceeds that have been taken (instituted) by the Edge group of companies, as detailed below and in Report No.8., and additional legal proceedings as far as they may be taken by the subsidiaries and the Company.
"The Arrangement Regulations"	Companies Regulations (Request for Compromise or Arrangement), 5762 -2002

E3. DISTRIBUTION OF THE GROUPS ASSETS' REALIZATION PROCEEDS

39. Commencing on the Arrangement Plan Effective Date, the Functionary will act in order to distribute the Company's Proceeds to the Company's creditors, in proportion to their share and priority out of the Company's total debts, subject to the order of priority and subject to maintaining adequate reserves all as set forth in this Chapter below (hereinafter: "**the Distributions**"). As detailed in depth in Report No.8, the Functionary sets out below the information with respect to the anticipated distributions.
40. In the Monitor's fund, there are Realization Proceeds from four out of five Back-Up Projects, which are the main assets of the Group, and whose cash flow surpluses were supposed to repay the debt to the Company's Bondholders (hereinafter: the "**Backup Assets**")⁸ and also the proceeds realized from the Company's ownership rights in its subsidiary, Urbancorp 60 St. Clair Inc. (hereinafter: "**St. Clair**").
41. As detailed in Report No.8, the Realization Proceeds from the Back-up Assets and St. Clair total approximately 76.5 million Canadian dollars. According to the information provided to the Functionary, following the

⁸ The Backup Assets are project Lawrence, project Mallow, project Patricia, and project Caledonia. Project Downsview is defined in the Issuance Prospectus as Backup Asset as well. Notwithstanding, the realization of such project has not been carried out yet as detailed in Report No. 8 and it is not part of the general insolvency proceedings.

repayment of mortgages, legal expenses as at the relevant date and repayment of the loan provided for the administration of the General Insolvency Proceedings, the net proceeds from the Back-up Assets' and St. Clair realization will amount to approximately 64.7 million Canadian dollars (hereinafter: the "**Assets' Realization Proceeds**").

42. As stated in Report No.8, out of the Assets' Realization Proceeds, the Monitor has already recognized third party (other than the Company) home purchasers' (deposit refunds) and suppliers' debt claims in a cumulative amount of approximately 15.5 million Canadian dollars. As of this date, the Functionary's (debt) claim, on the Company's behalf, was partially allowed, at approximately 47 million Canadian dollars⁹ for loans granted by the Company (out of the Bonds issuance proceeds) to the subsidiaries, including those holding the Back-Up Assets. The parties have agreed to reserve the Functionary's rights to dispute the disallowance of the remaining amounts that were claimed (including with respect to the respective part of each subsidiary of the Bonds raising costs). It is possible that there may be sufficient proceeds available to pay the disputed portion as equity, after repayment of the subsidiaries' other creditors, which would negate the need to challenge the disallowed part of claim.

43. Distribution to creditors of the Assets' Realization Proceeds will occur gradually according to the progress of resolving appeals from the debt claims that the Monitor disallowed. According to the information provided to the Functionary and included in Report No.8, the expected distributions are as follows:

43.1 An initial interim distribution in the amount of approximately 20 million Canadian dollars. This distribution requires settlement or court determination of the appeal from the disallowance of Tarion

⁹ Out of those sums, an 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, was not yet sold and is not subject to the General Insolvency Proceedings.

Warranty Corporation, the Ontario, Canada home builders insurance organization, in the sum of approximately 2.6 billion Canadian dollars, which is expected in May/June 2017.

43.2 An additional distribution of the balance of reserves funds that has been maintained by the Monitor pending the decision in the home purchasers claims (who claimed for damages beyond their rights to repayment of their deposits recognized by the Monitor) in the amount of 10 million Canadian dollars. The Canadian court disallowed the home purchasers' damages claim in a decision released 18.4.2017. However, there is a 21 day period appeal period under Canadian law. Hearings with respect to the remaining disputed claims, as defined in Report No.8, in the amount of approximately 9.2 million Canadian dollars have not yet been scheduled. However, the estimation is that these will take place over the next few months. Following the decisions on the disputed claims, the remaining funds shall be released for distribution to the extent that the disallowances are sustained and not subject to further appeal.

43.3 An additional sum of 10 million Canadian dollars from the Realization Proceeds is being held by the Monitor for the continued funding of the General Insolvency Proceedings (hereinafter: the "**Proceedings Funding Expenses**"), including the realization of the Group assets', primarily the Company's holdings in the Downsview project and the geothermal assets. As detailed in Report No.8 it is impossible to estimate at this date the ability and/or the potential realization value of the Group's holdings in these assets.

"4" A copy of the Monitor's forecast regarding the proceeds and distribution expected for the Company out of the proceeds realized from the Back-up Assets and St. Clair is attached herewith as **Appendix 4.**

44. In addition, as detailed in Report No.8, the Company's subsidiaries, Urbancorp Residential Inc. and King Residential Inc. currently are selling 28 residential units that they own. In order to maximize their realization only a limited

number of units are being offered for sale at a time. According to information provided to the Functionary, the residential units' sale is progressing in a satisfactory manner and the proceeds received exceed expectations. The net consideration expected from the realization of those assets, following mortgage and expenses repayment, is not expected, according to information provided to the Functionary, to exceed 3.2 million Canadian Dollars.

45. The realization of residential units in the Edge Group (as defined in Report No.8), is expected to yield proceeds in the amount of approximately 12.6-13.4 million Canadian dollars. 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 City of Toronto, the details of which are currently privileged, and certain other claim rights as detailed below.
46. As detailed in Report No.8, the separate monitor for the Edge group CCAA proceedings, Fuller Landau (hereinafter: "**the Edge Monitor**"), acknowledged an amount of approximately 16.6 million Canadian dollars out of the debt claim filed by the Functionary in the amount of approximately 17 million Canadian dollars.
47. According to information provided to the Functionary, no distribution of proceeds from the sale of residential units by the Edge Monitor is expected before completing the proceedings for the sale of all units and resolving the Edge Group debt claims, the forecast for the completion of is not yet known.
48. Likewise, as detailed in Chapter 3C of Report No.8, the Edge Monitor will in the upcoming weeks start proceedings to recover from the Canada Revenue Agency 12 million Canadian dollars that the Company's controlling shareholder, shortly before commencing insolvency proceedings, caused to be paid on account of the value added tax that one of the Edge companies owed. In addition, the Edge Monitor intends to initiate legal proceedings against the unlawful transfer of residential units in the Edge project, to creditors of the controlling shareholder and/or other Group companies, in the

months prior to the Company's collapse. The potential results of these proceedings are expected to become clearer during the next 6-9 months. These proceedings, if successful, may be a significant additional source of return.

"5" A copy of the Edge Monitor's forecast with respect to the proceeds expected from the Edge assets compared with the creditors' claim amounts filed and/or acknowledged is attached herewith as **Appendix 5**.

49. The distribution will be made in accordance with this court's instructions and in accordance with the principles of this Arrangement Plan, in light of the Realization Proceeds actually received and the need to maintain reserves as detailed in the Arrangement Plan.

E4. PROCEEDINGS EXPENSES AND SECURED CREDITORS

50. In accordance with the Bondholders' resolution dated 8.5.2017, an amount of NIS 500 thousand was transferred to the Functionary for financing the expenses of legal proceedings (hereinafter: "the **Proceedings Expenses**"), as necessary, provided that the Proceedings Expenses shall have the status of liquidation expenses and will be returned by the Functionary to the Trustee out of proceeds that may be received from the realization of the Company's assets or rights, prior to any other distribution to creditors or the payment of the Functionary's fee. Therefore, the Proceedings Expenses shall be repaid to the Bondholders Trustee prior to any other distribution.

51. As detailed in Motion No.29, as part of the debt decision in the debt claim of the Trustee, the Functionary acknowledged the components of the debt claim of the Trustee which were allowed as a secured debt, up to the amounts which are actually received from the repayment of any of the owners' loans which the Company granted for the Back-up Projects. Therefore, proceeds received from realization of the Back-Up Projects shall constitute an amount owed to the Bondholders up to the owners' loans granted with respect to same project (hereinafter: "**the Secured Debt**").

52. As detailed above (and in detail in Report No.8), as of the date of this Motion the Monitor, which manages most of the Group's assets, received proceeds in the amount of about 64.7 million Canadian dollars from realization of the Back-up Assets, and the interest in St. Clair.
53. In light of the above mentioned, and to the date that the full amount of the Secured Debt is repaid to the Trustee, any amount that may be received from the realization of the Back-up Projects will be used to repay solely the Secured Debt, until full repayment thereof. Proceeds of realization from assets which are not Back-Up Projects and/or from the remaining proceeds of the Back-Up Projects realization, to the extent any exists, after repayment of the Secured Debt, will be applied to the Company's ordinary (unsecured) debts in proportion to each creditor's percentage share of the Company's total debt. Accordingly, the total proceeds that will be paid to the Company's unsecured creditors, until repayment of the Secured Debt in full, will be equal to the proportional part of the proceeds of the realization from assets other than the Back-up Assets, according to the share of each ordinary creditor's claim in the total unsecured claim (including the portion of the Bondholders' debt claim that is unsecured).
54. A refund of approximately 125 thousand American dollars, was received in the Functionary's account that was paid by the Company's subsidiary, Westside Gallery Lofts Inc. (hereinafter: "**Westside Gallery**") for legal services that the service provider undertook to grant the Company and the controlling shareholder together, and that was not actually provided. The funds were returned to the Functionary on 15.10.2016, and are exclusively destined to pay Westside Gallery directly or through set-offs according to the law, and for no other purpose.

E5. MAINTAINING RESERVES

55. From each amount that will be distributed, the following reserves will be maintained (left) in the Functionary's fund (hereinafter: "**the Reserves**"):

55.1 An amount equal to the proportional rate of the distribution to the Company's unsecured creditors, with respect to each claim under dispute

that has not been finally resolved at the date of the relevant distribution (hereinafter: "**the Disputed Claims Reserves**"). For greater certainty, the Disputed Claims Reserves will be maintained from the funds that will otherwise be available for the benefit of the Company's unsecured creditors, as none of the disputed claims are secured claims.

55.2 If, contrary to the Functionary's position, the Honorable court will so instruct the Functionary to hold reserves with respect to the class actions, as detailed in paragraphs 34 and 35 above, a reserve in an amount equal to the proportional rate of the funds designated for distribution towards the Company's unsecured creditors, will be kept by the Functionary (hereinafter: "**the Class Action Reserves**"). For greater certainty, the Class Action Reserves will be maintained from the funds that will otherwise be available for the benefit of the Company's unsecured creditors, as none of the class action claims are secured claims.

55.3 A reserve amount as shall be required, pursuant to the Functionary's estimate and subject to the court's approval (in the framework of application for distribution of dividend), for funding the Functionary's expenses, including funding the costs of his Canadian legal representative, his financial consultant, the accountant's costs, as necessary and additional expenses in kind including funding trips to Canada, including in connection with taking legal proceedings as detailed in section E6 below (hereinafter: "**Funding the Expenses Reserves**").

It is clarified that the amount of Funding the Expenses Reserves has been determined, *inter alia*, on the basis of the funding arrangements with the Monitor, and the Bondholders' decision dated 8.5.2016, with respect to the non-distribution of interest reserve monies in order finance the costs of proceedings, as required. As far as the costs of proceedings are not funded by the Monitor as stated in paragraph 37 above and/or the Bondholders' will decide to distribute the interest and expenses reserve funds, the Functionary will be required to maintain significant reserves for the administration costs of proceedings in Canada.

E5. ACTIVITIES FOR REALIZATION OF THE REMAINING ASSETS OF THE GROUP

56. The Functionary will continue examining the possibility of realizing on the Group's remaining assets in Canada and, in particular, the Downsview project and geothermal assets, with limitations as detailed in Chapter D of Report No.8, including limitations involved in the realization of the holding in the Downsview project, whose building and development have not yet been completed, and difficulties arising from the ownership and holdings structure and the existence of legal proceedings with respect to the geothermal assets.

E6. ASSIGNMENT OF CLAIMS RIGHT AND TAKING LEGAL PROCEEDINGS

57. The Company's creditors hereby assign, with an absolute and irrevocable assignment to the Functionary's benefit, all their claim rights against any third party whatsoever, including against debtors, governmental authorities, former officers in the Company, the controlling shareholder of the Company, his family, and entities related to him, accountants, auditors, consultants, underwriters, various institutional entities in Israel or Canada, as well as insurance companies that granted to any one of the above mentioned, professional indemnity insurance and/or insurance in the undertakings in the Issuance Prospectus, including in connection with the reasons that lead to the collapse of the Company (collectively, hereinafter: **"the Claim Rights Assignment"** and **"the Third Parties"**, accordingly). This includes any claim and/or demand and/or cause of action and/or any remedy available to them, including any relief available to them by virtue of the Securities Law and/or Deed of Trust, against any third party whatsoever, including without derogating from the generality of the above mentioned, in order to take actions and legal proceedings that are required in accordance with the investigations that have been performed by the Functionary, with respect to the involvement these entities or individuals, or any one of them, had in the collapse of the Company. It is hereby clarified that the Claim Rights Assignment shall not constitute an assignment or an impediment to any of

Formatted: Font: Bold

Formatted: Font: Not Bold

the Company's creditors to file third-party notices, indemnification demands or of any other right, in the event a claim against him is filed in connection with the Company or its conduct.

58. Without derogating from the generality of the above mentioned, and subject to the approval of the Israeli court, the Functionary is hereby authorized to take actions in suitable proceedings against any Third Party which, in accordance with his investigations, the Functionary believes bears some responsibility for the collapse of the Company and/or a breach of any law and/or causing damage to the Company or its creditors.

E7. CONDITIONS PRECEDENT

59. The Arrangement Plan is conditional on the approval of the arrangement at the creditors' meetings by the majority as determined in Section 350 (i) of the law, that is the majority of those participating in the vote (other than abstentions), who jointly have three fourths of the value represented at the vote, or the circumstances as described in section 350m of the Companies Law in the Company's creditors' meetings.

60. The Arrangement Plan is not conditional on the approval of the shareholders' but whose meeting will be convened on the date as set out in section 9 above in order to report to the court on their position with respect to the Arrangement Plan for the record.

61. The approval of the Court of the Arrangement Plan according to the provisions of section 350 of the Companies Law and receipt of recognition from the Canadian court.¹⁰

E8. THE FUNCTIONARY'S AUTHORITIES AND HIS FEES

62. The Functionary has been granted with authority to complete the Arrangement and execute all the authorities as detailed in the appointment

¹⁰ As the Company is a Canadian Company, shortly after the approval of the Arrangement Plan by this court, a motion for recognition of the Arrangement Plan and such resolution shall be filed with the Canadian court.

order dated 25.4.2016, which has already been recognized by the Canadian courts, as follows:

"I hereby appoint Adv. Guy Gissen as functionary in Urbancorp Inc. and grant him the authority to exercise the Company's authority, for all the following actions:

- to locate, track and seize all Company's assets, of any sort or type whatsoever, including its funds and rights in the subsidiaries.**
- to exercise the Company's power of control in the subsidiaries.**
- to obtain all information, of any sort or type whatsoever, pertaining to the Company's activities, its property and its rights; the same applies to the subsidiaries.**
- to negotiate with the subsidiaries' trustee, and for this purpose to also approach the Canadian court as an authorized representative of the Company.**
- to track the Company's activities prior to the prospectus and thereafter.**

For the purpose of exercising these authorities, the Functionary is hereby authorized to appear in the Company's name before any body, authority or person in Israel or abroad; to obtain any information whatsoever from any of the Company's factors, from the controlling shareholders, from the authorities and from any person who has provided or is providing services to the Company; and to obtain from them all the documents he believes shall be required for fulfilling his position."

63. Subject to the Court specific approval, legal fees shall be approved for the Functionary in accordance with the Companies Regulations (Rules on the Appointment of Receivers and Liquidators and their Compensation) 5741 – 1981.

64. In addition, should the Court approve the Functionary himself, or through the lawyers in his office, initiating legal proceedings on behalf of the Company against Third Parties,¹¹ the Functionary and his legal advisors shall be entitled to separate, contingent legal fees for managing such legal proceedings at a rate of 20% (at least) plus Value Added Tax plus disbursements, from amounts that may be collected for the Company's and/or creditors' benefit (whether obtained by virtue of a judgment against or settlement with any such Third Party).

E9. THE COURT'S AUTHORITY

65. In accordance and subject to the Canadian court's decision dated 15.6.2016, recognizing this proceeding as the Foreign Main Proceeding, the District Court in Tel Aviv in the framework of liquidation case 44348-04-16, is the only competent court regarding this Arrangement Plan and will be given the sole, exclusive authority in all matters related to performing this Arrangement Plan and in any matter that may arise as a result of thereof, unless specifically stated otherwise in the Arrangement Plan.

E10. GENERAL PROVISIONS

66. The confirmation of this Arrangement Plan constitutes a confirmation of all its Appendices, even if not given explicit expression in the instructions of this Motion.

67. This Arrangement Plan is meant to direct the handling of the Company and its creditors' rights, and performing distributions of funds received by the Company. In light of the complexity and uncertainty prevailing at the date of this Report with respect to the date and/or the amount of the proceeds that may be received, the outcome of the proceedings that may be taken against the Third Parties, and also the expected rate of return of the debts according to the Arrangement Plan, this Arrangement Plan is subject to changes and

¹¹ Including as detailed in paragraphs 57 and 58 above (on the one hand in the framework of this file and also as a separate claim).

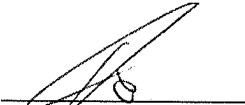
updates, subject to the court's approval. Should the court deem any change to be material to the provisions of the Arrangement Plan, such change shall be subject to the approval of creditors' meetings as determined by this Report and in Motion No. 29.

68. The conduct of the creditors' meetings shall be governed by applicable Israeli law.

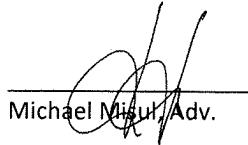
"6" a form of proxy and voting letter is attached hereto as **Appendix 6**.



Yael Hershkovitz, Adv.
The Functionary's attorneys



Gilad Bergstin, Adv.



Michael Migul, Adv.

Today, April 30, 2017