



**Eighth Report to Court of
KSV Restructuring Inc. as Information
Officer of Urbancorp Inc.**

March 23, 2023

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COURT FILE NO.: CV-16-11392-00CL

**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**

MARCH 23, 2023

1.0 Introduction

1.1 Cumberland CCAA Entities

1. On April 21, 2016, Urbancorp (St. Clair Village) Inc. ("St. Clair"), Urbancorp (Patricia) Inc. ("Patricia"), Urbancorp (Mallow) Inc. ("Mallow"), Urbancorp Downsview Park Development Inc. ("Downsview"), Urbancorp (Lawrence) Inc. ("Lawrence") and Urbancorp Toronto Management Inc. ("UTMI") each filed a Notice of Intention to Make a Proposal (the "NOI Proceedings") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (collectively, St. Clair, Patricia, Mallow, Downsview, Lawrence and UTMI are referred to as the "NOI Entities"). KSV Kofman Inc. was appointed as the proposal trustee of each of the NOI Entities (the "Proposal Trustee"). On August 31, 2020, KSV Kofman Inc. changed its name to KSV Restructuring Inc. ("KSV").
2. Pursuant to an order made by the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court") dated May 18, 2016 (the "Cumberland Initial Order"), the NOI Entities and the entities listed on Appendix "B" to this Report (collectively, the "Cumberland CCAA Entities") were granted protection under the *Companies' Creditors Arrangement Act* (the "CCAA") (the "Cumberland CCAA Proceedings") and KSV was appointed monitor (the "Cumberland Monitor"). The Initial Order also approved the Protocol (defined below). A copy of the Initial Order is provided in Appendix "A".

1.2 Bay CCAA Entities

1. On April 25, 2016, Urbancorp (Woodbine) Inc. (“Woodbine”) and Urbancorp (Bridlepath) Inc. (“Bridlepath”) each filed a NOI (the “Bay NOI Proceedings”). KSV was appointed as the Proposal Trustee of each of Woodbine and Bridlepath.
2. Pursuant to an order made by the Court dated October 18, 2016, TCC/Urbancorp (Bay) Limited Partnership (“Bay LP”), Woodbine and Bridlepath and the entities listed on Appendix “B” (collectively, the “Bay CCAA Entities”, and together with the Cumberland CCAA Entities, the “CCAA Entities”) were granted protection in a separate CCAA proceeding and KSV was appointed Monitor of the Bay CCAA Entities (the “Bay CCAA Proceedings”).
3. The principal assets of the Bay CCAA Entities were separate parcels of real property owned by each of Bridlepath and Woodbine, both of which were sold by KSV in the Bay CCAA Proceedings.

1.3 Urbancorp Renewable Power Inc.

1. Certain of the Cumberland CCAA Entities had an interest in geothermal assets (the “Geothermal Assets”) located at four condominiums developed by entities in the Urbancorp group of companies (the “Urbancorp Group”). The Geothermal Assets provide heating and air conditioning to these condominiums. Urbancorp Renewable Power Inc. (“URPI”) was incorporated to manage the Geothermal Assets.
2. Pursuant to a Court order made on June 28, 2018, KSV was appointed as the receiver and manager (the “Receiver”) of URPI (the “Receivership Proceedings”).
3. KSV sold the Geothermal Assets and settled litigation affecting same, both of which resulted in significant recoveries for stakeholders.

1.4 Urbancorp Management Inc.

1. Urbancorp Management Inc. (“UMI”) provided management services to entities in the Urbancorp Group.
2. On May 20, 2021, Chief Justice Morawetz released a decision that a bankruptcy order be made against UMI and named KSV as the Licensed Insolvency Trustee (the “Trustee”).
3. It is expected that the UMI bankruptcy proceedings will result in additional recoveries for UCI, either through distributions to it as creditor of UMI or as a creditor of UTMI, which is a creditor of UMI.

1.5 Urbancorp Insolvency Mandates and the KSV Mandates

1. For the purpose of this report (the “Report”), the NOI Proceedings, the Cumberland CCAA Proceedings, the Bay NOI Proceedings, the Bay CCAA Proceedings, the Receivership Proceedings and the UMI bankruptcy proceedings are referred to as the “Urbancorp Insolvency Proceedings”, and the various roles of KSV are referred to as the “KSV Mandates”.

1.6 Urbancorp Inc.

1. On April 25, 2016, the District Court in Tel Aviv-Yafo (the “Israeli Court”) issued a decision appointing Guy Gissin as the functionary officer and foreign representative (the “Foreign Representative”) of Urbancorp Inc. (“UCI”) and granted the foreign representative certain powers, authorities and responsibilities over UCI, the indirect parent of the NOI Entities, except for UTMI (the “Israeli Proceedings”).
2. On May 11, 2016, the Israeli Court made an order authorizing the Foreign Representative to enter into a protocol between the Foreign Representative and KSV (the “Protocol”). The Protocol contemplated that the NOI Entities and other related entities would file for protection under the CCAA. A copy of the Protocol is attached as Appendix "C".
3. On May 18, 2016, the Canadian Court also issued two orders under Part IV of the CCAA which:
 - a) recognized the Israeli Proceedings as a “foreign main proceeding”;
 - b) recognized Mr. Gissin as Foreign Representative of UCI; and
 - c) appointed KSV as the Information Officer.
4. This report (the “Report”) is filed by KSV’s in its capacity as Information Officer.

1.7 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background with respect to the Urbancorp Insolvency Proceedings;
 - b) discuss the KSV Mandates; and
 - c) discuss the roles of KSV and the Foreign Representative in the realization processes carried out in the Urbancorp Insolvency Proceedings.

1.8 Currency

1. Unless otherwise stated, all currency references in this Report are to Canadian dollars.

2.0 Background

1. The Urbancorp Group is comprised of various entities that were formerly involved in the acquisition of real property and the development of real estate projects in the Greater Toronto Area. Alan Saskin was the principal of the Urbancorp Group.
2. UCI was incorporated in Ontario on June 19, 2015 to raise capital in the public markets in Israel. Pursuant to a deed of trust dated December 7, 2015, UCI made a public offering (the “IPO”) of debentures (the “Debentures”) in Israel for NIS 180,583,000 (approximately \$64 million based on the exchange rate at the time of the IPO). The Debentures traded on the Tel Aviv Stock Exchange (the “TASE”). The Debentures are secured against certain assets of UCI, being primarily the receivables owing to UCI pursuant to the Shareholder Loans (as defined below). UCI defaulted on the Debentures and trading in the Debentures was suspended by the TASE.
3. From the monies raised under the Debentures, UCI made separate loans (the “Shareholder Loans”) totalling approximately \$46 million to each of the NOI Entities (excluding UTMI), which are subsidiaries of UCI, so that those NOI Entities could repay their loan obligations owing at the time. The loan agreements in respect of the Shareholder Loans set out that these advances are unsecured and functionally subordinated to certain other obligations of the NOI Entities.
4. In the context of a Court approved claims process carried out by the Cumberland Monitor, the Cumberland Monitor admitted a claim by the Foreign Representative in the amount of approximately \$63.3 million.
5. UCI’s principal obligation is the Debentures. The Foreign Representative has admitted a claim in the Israeli proceedings of approximately \$62.6 million filed by Reznik Paz Nevo Trusts Ltd., the Trustee in respect of the Debentures (the “Debenture Trustee”), of which approximately \$46 million was admitted as a secured claim in respect of the Shareholder Loans.

3.0 Urbancorp Insolvency Proceedings Realizations and KSV Costs

1. As of the date of this Report, KSV, in its various capacities, has distributed approximately \$71 million to UCI. KSV expects to distribute further amounts to UCI, although as of the date of this Report, that amount cannot be quantified. The distributions are the product of the sale, by KSV, of all of the assets of the CCAA Entities, the Geothermal Assets, and various settlements KSV negotiated in the Urbancorp Insolvency Proceedings.

2. A summary of the gross recoveries¹ to-date in these proceedings is provided in the table below.

Asset (unaudited; C\$)	\$000
Geothermal assets	21,951 ²
Geothermal settlements	7,238
Patricia real property	16,800
Lawrence real property	24,450
Mallow real property	21,300
St. Clair real property	15,150
Bridlepath real property	25,888
Woodbine real property	13,300
UMI	TBD
UTMI	TBD
Other realizations	24,232 ³
Gross realizations	170,309

3. KSV's realization efforts have resulted in near full repayment of every creditor in the Urbancorp Group subject to the Urbancorp Insolvency Proceedings⁴.
4. UCI, through the Foreign Representative, has also had recoveries in Israel from litigation the Foreign Representative commenced against various parties involved in the underwriting of the Debentures. Additional recoveries are also expected from the Cumberland 2 CCAA Proceedings in which The Fuller Landau Group Inc. ("Fuller Landau") is the CCAA monitor.
5. The table below provides a summary of KSV's fees to date for the period ending December 31, 2022, excluding the fees of its counsel. The fees are presented on this basis so that they can be compared to the total fees being sought in Israel by the Foreign Representative.

Capacity	\$000
Proposal Trustee (NOI Entities)	248
Monitor (Cumberland)	4,556
Proposal Trustee (Bay)	302
Monitor (Bay)	777
Receiver (URPI)	872
UMI (Trustee)	104
UCI (Information Officer)	88
Total	6,947

¹ The gross recoveries are before repayment of all creditor claims (including mortgages), operating costs during the proceedings, professional costs and other disbursements. Additionally, KSV has not yet distributed certain proceeds of realization.

² Excludes proceeds allocated to KTNi of approximately \$2 million.

³ Includes sale of condominium units, other property and settlements with stakeholders.

⁴ With the exception of UTMI, which will be determined in part by the outcome of the arbitration with Mattamy. UTMI's creditors are not expected to be paid in full.

6. The Monitor has been advised that the Foreign Representative has been paid fees to-date of NIS8.271 million (approximately \$3.1 million)⁵ and that it is seeking approval in Israel of further fees of NIS6.65 million (approximately \$2.5 million). This excludes the fees paid to the Foreign Representative's advisors, including its Canadian legal and financial advisors, Dentons Canada LLP ("Dentons") and B. Riley Farber (formerly the Farber Group) ("Farber"), respectively.
7. KSV has been asked by Mayaan Paz, in his capacity as a significant bondholder and elected bondholder representative, and Shay Zuckerman and Amir Flamer, in their capacity as counsel to the Debenture Trustee, as to whether the realizations in the Urbancorp Insolvency Proceedings would have been materially inferior if the Foreign Representative had not been appointed.
8. Without being critical of the role and participation of the Foreign Representative in the Urbancorp Insolvency Proceedings, the mandate of the Foreign Representative did not involve realizing on the Urbancorp Group's business and assets. As more fully detailed below, the realization process for the business and assets of the entities subject to the Urbancorp Insolvency Proceedings was exclusively the purview of KSV in carrying out the KSV Mandates. KSV's fees in this regard total \$6.947 million, as reflected above. The Foreign Representative is seeking \$5.6 million.
9. The creditors of UCI represent the largest stakeholder group in the Urbancorp Insolvency Proceedings. Accordingly, KSV consulted extensively throughout the Urbancorp Insolvency Proceedings with the Foreign Representative, as the representative of UCI's creditors, as it would with any significant stakeholder in a restructuring proceeding.

4.0 The Protocol

1. The Protocol was summarized in KSV's report to Court dated May 13, 2016, filed as Proposal Trustee in the NOI Proceedings. The Protocol establishes:
 - a) the framework for cooperation and communication between the Foreign Representative and the Cumberland CCAA Monitor, as well as between the Foreign Representative and the Information Officer;
 - b) the manner in which the Foreign Representative is to have input in the Cumberland CCAA Proceedings;
 - c) the manner in which information is to be exchanged between the Foreign Representative and the Cumberland CCAA Monitor in the Cumberland CCAA Proceedings, and the Foreign Representative and the Information Officer in the Part IV proceedings; and

⁵ Based on the foreign exchange rate on March 22, 2023.

- d) that KSV, as the Monitor, would have powers granted to it in the Cumberland CCAA Proceedings broader than is customary in an initial CCAA order. This was required at the time given the concerns that the Foreign Representative had with Mr. Saskin and the management of the Urbancorp Group at the outset of the Urbancorp Insolvency Proceedings.
2. The Protocol also provides that *“the Israeli Parentco Officer and KSV agree that, in the event there is a disagreement between the Israeli Parentco Officer as to the working out of the sale and restructuring process, whether it be in terms of selecting an alternative option to a sale (including, without limitation, pursuing any development opportunities), determining which bids to proceed to negotiate further, or seeking approval of a particular sale from the Canadian Court supervising the CCAA proceedings, the ultimate decision and course of action shall be determined by the Canadian Court on application by KSV for directions and provided that the Israeli Parentco Officer shall have standing as representative of Parentco to make full representations to the Canadian Court as to his views and recommendations”*.

5.0 Foreign Representative’s July 3, 2017 Interim Fee Approval Motion

1. In July 2017, KSV, as Information Officer, reviewed a commissioned English translation of the "Application for the Grant of Instructions for Approval of the Functionary's Interim Fee" dated July 3, 2017 (the "Foreign Representative's Report"). A copy of the Foreign Representative’s Report is attached as Appendix "D".
2. Primarily for the benefit of the Israeli Court, but also in anticipation of concerns and questions from the Canadian Court in light of the Foreign Representative's Report, the Information Officer believed at the time that a response to the Foreign Representative's Report was warranted. Accordingly, in its Sixth Report dated July 26, 2017, the Information Officer stated:
 - a) As a preliminary matter, the Information Officer notes that the Foreign Representative has only been appointed for, and the Israeli Proceedings only pertain to, UCI. Accordingly, the Israeli Proceedings are the foreign main proceeding for UCI but for no other Urbancorp Group entity. It must be kept in mind that the CCAA proceedings relating to many of the direct and indirect subsidiaries of UCI, be they the Cumberland CCAA Proceedings or Bay CCAA Proceedings, all of which are in Ontario, Canada, and all before the Canadian Court, are independent, main proceedings. They are not "secondary proceedings" as referenced in the Foreign Representative's Report. As main proceedings in their own right, they are under the full and exclusive jurisdiction and supervision of the Canadian Court.
 - b) It is the Canadian Court which appointed the Information Officer as the Monitor in the Cumberland CCAA Proceedings and Bay CCAA Proceedings. The Monitor is an officer of the Canadian Court and it is only the Canadian Court which exercises authority and direction over the Monitor. Accordingly, all of the assets of the Cumberland CCAA Entities and Bay CCAA Entities are subject to the exclusive control and oversight of the Monitor and the Canadian Court, which issued orders granting the Monitor enhanced powers in the CCAA proceedings. Furthermore, the claims against any of the Cumberland CCAA Entities and Bay CCAA Entities are exclusively subject to claims procedures

ordered by the Canadian Court and overseen and implemented by the Monitor. UCI's standing and, by extension, the Foreign Representative's standing, in the Cumberland CCAA Proceedings and Bay CCAA Proceedings is only as one of the creditors and the ultimate shareholder of most of the Cumberland CCAA Entities and Bay CCAA Entities.

- c) With the foregoing understanding, it should be clear that the Foreign Representative does not "supervise" the Monitor (in the sense of exercising any control or direction over the Monitor) and the Foreign Representative cannot and does not direct the Monitor. In addition, the Monitor does not need the Foreign Representative's authorization for undertaking any of its activities. Administration of the assets, liabilities and claims of the Cumberland CCAA Entities and Bay CCAA Entities is the exclusive purview of the Monitor under the supervision of the Canadian Court.
- d) Given that UCI is a significant stakeholder in the Cumberland CCAA Proceedings and Bay CCAA Proceedings, the Monitor endeavours to cooperate with the Foreign Representative so that it has its input and views on matters as a Monitor would do with any key stakeholder in a CCAA proceeding. In this manner, opposition to actions for which the Monitor must seek the Canadian Court's approval are kept to a minimum, which lends to more efficient, effective and less costly proceedings.
- e) In light of the foregoing, while the Information Officer understands that the Foreign Representative may be required to ensure that it is and remains informed and knowledgeable about what is transpiring in the Cumberland CCAA Proceedings and Bay CCAA Proceedings, it notes that many, if not all, of the Foreign Representative's activities pertaining to any of the assets, liabilities or claims of the Cumberland CCAA Entities and Bay CCAA Entities are largely duplicative of the activities of the Monitor. The Monitor does not support the view that such activities of the Foreign Representative have resulted in additional recoveries for UCI or any other stakeholder.

6.0 Conclusions

1. The views of the Monitor in July 2017 are the views of the Monitor as of the date of this Report.
2. KSV has afforded the Foreign Representative access to information and participation in the proceedings in the same manner it would any significant stakeholder in an insolvency process, and consistent with the terms of the Protocol. In considering the interest of the Foreign Representative (and the stakeholders it represents), KSV has considered whether other stakeholders have an interest in the issue at hand, which is KSV's responsibility as an officer of the Court. This means that during the Urbancorp Insolvency Proceedings, there have been instances where KSV and the Foreign Representative were aligned, and instances when they were not.

3. KSV recognizes the helpful assistance of the Foreign Representative's Canadian advisors on several issues, including in the two arbitrations conducted to-date with Mattamy Homes Inc. ("Mattamy"), Downsview's joint venture partner in the Downsview project. However, as of the date of this Report, there have been no realizations from the Downsview project, and the award in the most recent arbitration remains contested by Mattamy. Even if the Monitor and the Foreign Representative prevail in the arbitration with Mattamy, the maximum that will be recovered for UCI is a fraction of the \$6 million in management fees that are claimed to be owing to UTMI on the Downsview project⁶.
4. The Monitor also acknowledges that the Foreign Representative's advisors attended the vast majority of the hearings in Canada, and that the Monitor consulted routinely with these advisors, as it would (and should) with any significant stakeholder in an insolvency proceeding. The Monitor does not dispute that the Foreign Representative, through its advisors, incurred significant time and expended significant effort overseeing the Urbancorp Insolvency Proceedings. The Monitor understands, however, that the Foreign Representative takes the position that it personally attended at over 90 hearings in Canada in the Urbancorp Insolvency Proceedings. It is the Monitor's recollection that the Foreign Representative itself was only present for a small number of the Canadian court attendances in the Urbancorp Insolvency Proceedings, as well as both arbitrations with Mattamy.
5. The Monitor also notes that there were instances when the Monitor expressed concern to the Foreign Representative's advisors that the involvement of the Foreign Representative in various issues was resulting in a duplication of effort and costs. However, the Monitor does not take issue with the active involvement of Dentons and Farber as it relates to representing their client, at its direction.
6. The Monitor also recognizes that in a few instances, positions taken by the Foreign Representative facilitated settlements of certain claims. This was particularly relevant to a claim against First Capital that generated recoveries of approximately \$2 million.
7. The Monitor is also of the view that the Foreign Representative engaged in certain litigation that delayed these proceedings and resulted in increased costs. Examples include, *inter alia*, litigation involving the entitlement to the proceeds of the sale of the Berm Lands⁷ and litigation with Mattamy and the Monitor concerning the sale to Mattamy of Urbancorp's interest in the Downsview project⁸. While the Monitor disagreed with the Foreign Representative's positions, it is not critical of the Foreign Representative for advancing the interests of the stakeholders it represents.

⁶ UTMI is the Urbancorp entity entitled to the management fees.

⁷ The Foreign Representative was unsuccessful seeking leave to appeal the decision awarding the proceeds allocated to the Berm Lease to be payable to KTNI.

⁸ The Foreign Representative was unsuccessful (i) directing the arbitration of certain contractual provisions related to the Downsview project before the sale process for the Downsview project; (ii) seeking a stay of the decision granting the sale process; and (iii) seeking leave to appeal the sale process decision.

8. KSV is of the view that the appointment of the Foreign Representative was appropriate and helpful to the Israeli stakeholders in so far as it provided them insight into the Canadian proceedings. This was particularly relevant at the outset of the Urbancorp Insolvency Proceedings given: (i) the Foreign Representative's concerns regarding the Urbancorp Group's management at that time; (ii) the retention of KSV as Proposal Trustee by the Urbancorp Group's management, for whom there was a lack of confidence; and (iii) a lack of familiarity with Canadian insolvency processes, including the independence required of a Canadian Court officer notwithstanding the party making the application for its appointment.
9. While periodically there have been disagreements between KSV and the Foreign Representative, they have generally worked amicably and professionally to allow KSV to generate recoveries greater than the amount owing to the Debentureholders at the outset of these proceedings.
10. KSV was exclusively authorized, in its various capacities, to realize on the business and assets subject to the Urbancorp Insolvency Proceedings. KSV does not believe that the realizations in the Urbancorp Insolvency Proceedings would have been materially inferior to the actual realizations achieved absent the appointment of the Foreign Representative.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS INFORMATION OFFICER OF
URBANCORP INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) **WEDNESDAY, THE 18TH**
)
JUSTICE NEWBOULD) **DAY OF MAY, 2016**



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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF URBANCORP TORONTO
MANAGEMENT INC., URBANCORP (ST. CLAIR
VILLAGE) INC., URBANCORP (PATRICIA) INC.,
URBANCORP (MALLOW) INC., URBANCORP
(LAWRENCE) INC., URBANCORP DOWNSVIEW PARK
DEVELOPMENT INC., URBANCORP RESIDENTIAL INC.,
URBANCORP (952 QUEEN WEST) INC., KING
RESIDENTIAL INC., URBANCORP 60 ST. CLAIR INC.,
HIGH RES. INC., BRIDGE ON KING INC. (Collectively the
"Applicants") AND THE AFFILIATED ENTITIES LISTED
IN SCHEDULE "A" HERETO**

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Alan Saskin sworn May 13, 2016 and the Exhibits thereto (the "**Saskin Affidavit**"), the First Report of KSV Kofman Inc. in its capacity as Proposal Trustee and as proposed monitor dated May 13, 2016 (the "**First Report**") and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Urbancorp CCAA Entities, counsel for the proposed Monitor, counsel for the Foreign Representative of Urbancorp

Inc., counsel for Mattamy (Downsview) Limited, counsel for King Liberty North Corporation, counsel for the syndicate of lenders represented by the Bank of Nova Scotia as administrative agent, and those other parties listed on the counsel slip, no one appearing for any other person although duly served as appears from the Affidavit of Service of Kyle B. Plunkett sworn May 13, 2016, filed, on reading the consent of KSV Kofman Inc. to act as the Monitor (in such capacity, the “**Monitor**”);

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies, save and except Urbancorp New Kings Inc. (“**UNKI**”) which shall not be an Applicant hereunder, and shall be removed from the style of cause in these proceedings and such style of cause shall be hereafter amended to exclude UNKI.
3. **THIS COURT ORDERS AND DECLARES** that although not Applicants, the Urbancorp CCAA Entities’ affiliated Corporations and Limited Partnerships listed in **Schedule “A”** to this Order (the “**Non-Applicant UC Entities**”) are proper parties to these proceedings and shall enjoy the benefits of the protections and authorizations provided by this Order. (The Applicants together with the Non-Applicant UC Entities are hereinafter referred to as the “**Urbancorp CCAA Entities**”).
4. **THIS COURT ORDERS AND DECLARES** that the proposal proceedings of each of Urbancorp Toronto Management Inc. (Estate No. 31-2114055), Urbancorp Downsview Park Developments Inc. (Estate No. 31-2114054), Urbancorp (Patricia) Inc. (Estate No. 31-2114050), Urbancorp (Mallow) Inc. (Estate No. 31-2114049), Urbancorp (Lawrence) Inc. (Estate No. 31-2114048) and Urbancorp (St. Clair Village) Inc. (Estate No. 31-2114053) (collectively, the “**Urbancorp NOI Entities**”) commenced under Part III of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), be taken up and continued under the CCAA and that the provisions of Part III of the BIA shall have no further application to the Urbancorp NOI Entities.

PLAN OF ARRANGEMENT

5. **THIS COURT ORDERS** that subject to the provisions of this Order, the Applicants shall have the authority to file, and may, subject to further order of this Court, file with this Court a plan or plans of compromise or arrangement (hereinafter referred to as the “**Plan**” or “**Plans**”).

POSSESSION OF PROPERTY AND OPERATIONS

6. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Urbancorp CCAA Entities shall continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and Property. Subject to paragraph 29 hereof, the Urbancorp CCAA Entities are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

7. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall be entitled to continue to utilize the central cash management system currently in place as described in the Saskin Affidavit or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Urbancorp CCAA Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Urbancorp CCAA Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

8. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Urbancorp CCAA Entities in respect of these proceedings, at their standard rates and charges.

9. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Urbancorp CCAA Entities shall be entitled but not required to pay all reasonable expenses incurred by the Urbancorp CCAA Entities in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Urbancorp CCAA Entities following the date of this Order.

10. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Urbancorp CCAA Entities in connection with the sale

of goods and services by the Urbancorp CCAA Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Urbancorp CCAA Entities.

11. **THIS COURT ORDERS** that, except where any of the Urbancorp CCAA Entities are a landlord, until a real property lease is disclaimed in accordance with the CCAA, the Urbancorp CCAA Entities shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Urbancorp CCAA Entities and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

12. **THIS COURT ORDERS** that, except as specifically permitted herein or by further order of this Court, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by an Applicants to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

13. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall not, without further Order of this Court: (a) make any disbursement out of the ordinary course of its Business

exceeding in the aggregate \$100,000 in any calendar month; or (b) engage in any material activity or transaction not otherwise in the ordinary course of its Business.

RESTRUCTURING

14. **THIS COURT ORDERS** that subject to paragraph 29 herein, the Urbancorp CCAA Entities shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$250,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate;
- (c) pursue all avenues of refinancing (including Additional Interim Financing as hereinafter defined) of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing; and
- (d) pursue a sale or development of some or all of any Urbancorp CCAA Entity's Business and Property,

all of the foregoing to permit the Urbancorp CCAA Entities to proceed with an orderly restructuring of the Business (the "**Restructuring**").

15. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall provide each of the relevant landlords with notice of the Urbancorp CCAA Entities' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Urbancorp CCAA Entities' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Urbancorp CCAA Entities, or by further Order of this Court upon application by the Urbancorp CCAA Entities on at least two (2) days notice to such landlord and any such secured creditors. If an Applicant disclaims the lease governing such leased premises in

accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Urbancorp CCAA Entities' claim to the fixtures in dispute.

16. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against that Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE URBANCORP CCAA ENTITIES OR THE PROPERTY

17. **THIS COURT ORDERS** that until and including June 17, 2016, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Urbancorp CCAA Entities or the Monitor, or affecting the Business or the Property, except with the written consent of the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Urbancorp CCAA Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

18. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Urbancorp CCAA Entities or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Urbancorp CCAA Entities to carry on

any business which the Urbancorp CCAA Entities are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

19. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Urbancorp CCAA Entities, except with the written consent of the Urbancorp CCAA Entities and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

20. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Urbancorp CCAA Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Urbancorp CCAA Entities, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Urbancorp CCAA Entities, and that the Urbancorp CCAA Entities shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Urbancorp CCAA Entities in accordance with normal payment practices of the Urbancorp CCAA Entities or such other practices as may be agreed upon by the supplier or service provider and each of the Urbancorp CCAA Entities and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

21. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or

licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Urbancorp CCAA Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

22. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Urbancorp CCAA Entities with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Urbancorp CCAA Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Urbancorp CCAA Entities, if one is filed, is sanctioned by this Court or is refused by the creditors of the Urbancorp CCAA Entities or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

23. **THIS COURT ORDERS** that the Urbancorp CCAA Entities shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Urbancorp CCAA Entities after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

24. **THIS COURT ORDERS** that the directors and officers of the Urbancorp CCAA Entities shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$300,000, as security for the indemnity provided in paragraph 23 of this Order. The Directors' Charge shall have the priority set out in paragraphs 43 and 45 herein.

25. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Urbancorp CCAA Entities' directors and officers

shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 23 of this Order.

INTERIM FINANCING

26. **THIS COURT ORDERS** that the interim credit facility in the maximum amount of \$1,900,000 (the "**Interim Facility**") made available to the Urbancorp CCAA Entities by Urbancorp Partner (King South) Inc. (the "**Interim Lender**") pursuant to the terms of the term sheet dated as of May 13, 2016 (the "**Term Sheet**"), and attached as an Exhibit to the Saskin Affidavit, and the Term Sheet itself, be and are hereby approved, and the Urbancorp CCAA Entities are hereby authorized and empowered to execute and deliver such documents as are contemplated by the Term Sheet.

PROTOCOL FOR CO-OPERATION

27. **THIS COURT ORDERS AND DIRECTS** that the "Protocol For Cooperation Among Canadian Court Officer and Israeli Functionary", between KSV Kofman Inc. in its capacity as proposal trustee and as proposed Monitor and Guy Gissin, in his capacity as Functionary Officer appointed by the Israel District Court in Tel Aviv-Yafo in respect of Urbancorp Inc., attached as **Schedule "B"** to this Order (the "**Protocol**"), be and is hereby approved. In the event of a conflict between the terms of this Order and the Protocol, the terms of this Order shall prevail.

APPOINTMENT OF MONITOR

28. **THIS COURT ORDERS** that KSV Kofman Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Urbancorp CCAA Entities with the powers and obligations set out in the CCAA or set forth herein and that the Urbancorp CCAA Entities and their shareholders, officers, directors, and Assistants shall not take any steps with respect to the Urbancorp CCAA Entities, the Business or the Property, save and except under the direction of the Monitor, pursuant to paragraph 29 of this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

29. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, and without altering in any way the powers, abilities, limitations and obligations of the Urbancorp CCAA Entities within, or as a result of these proceedings, be and is hereby authorized, directed and empowered to:

- (a) cause the Urbancorp CCAA Entities, or any one or more of them, to exercise rights under and observe its obligations under paragraphs 8, 9, 10, 11, 12 and 13 above;
- (b) conduct a process for the solicitation of proposals for additional interim financing of the Business to replace or augment the Interim Credit Facility (the “**Additional Interim Financing**”), which Additional Interim Financing shall be subject to the approval of the Court;
- (c) cause the Urbancorp CCAA Entities to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the Urbancorp CCAA Entities in dealing with the Property;
- (d) conduct, supervise and direct one or more Court-approved sales and investor solicitation processes (with prior Court approval if deemed appropriate by the Monitor) for portions of the Property or the Business, including the solicitation of development proposals, and any procedures regarding the allocation and/or distribution of proceeds of any transactions;
- (e) cause the Urbancorp CCAA Entities to administer the Property and operations of the Urbancorp CCAA Entities, including the control of receipts and disbursements, as the Monitor considers necessary or desirable for the purposes of completing any transaction, or for purposes of facilitating a Plan or Plans for some or all Applicants, or parts of the Business;
- (f) propose or cause the Applicants or any one or more of them to propose one or more Plans in respect of the Applicants or any one or more of them;
- (g) engage advisors or consultants or cause the Urbancorp CCAA Entities to engage advisors or consultants as the Monitor deems necessary or desirable to carry out the

terms of this Order or any other Order made in these proceedings or for the purposes of the Plan and such persons shall be deemed to be “Assistants” under this Order;

- (h) apply to this Court for any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and directions with respect to any matter;
- (i) meet and consult with the directors of the Urbancorp CCAA Entities as the Monitor deems necessary or appropriate;
- (j) meet with and direct management of the Urbancorp CCAA Entities with respect to any of the foregoing including, without limitation, operational and restructuring matters;
- (k) monitor the Urbancorp CCAA Entities’ receipts and disbursements;
- (l) approve Drawdown Requests under the Interim Credit Facility and any Additional Interim Facility;
- (m) cause any Urbancorp CCAA Entity with available cash (an “**Intercompany Lender**”) to loan some or all of that cash to another Urbancorp CCAA Entity (an “**Intercompany Borrower**”) on an interest free inter-company basis (an “**Approved Intercompany Advance**”) up to an aggregate of \$1 million, which Approved Intercompany Advances shall be secured by the Intercompany Lender’s Charge against the Property of the Intercompany Borrower, where in the Monitor’s view the Approved Intercompany Advance secured by the Intercompany Lender’s Charge does not prejudice the interest of the creditors of the Intercompany Lender and does not violate any agreement to which a Non-Applicant UC Entity is a party.
- (n) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (o) assist the Urbancorp CCAA Entities in its preparation of the Urbancorp CCAA Entities’ cash flow statements and reporting required by the Term Sheet or the Court;

- (p) hold and administer creditors' or shareholders' meetings for voting on the Plan or Plans;
- (q) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Urbancorp CCAA Entities, to the extent that is necessary to adequately assess the Urbancorp CCAA Entities business and financial affairs or to perform its duties arising under this Order;
- (r) be at liberty to engage legal counsel, real estate experts, or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (s) perform such other duties as are required by this Order or by this Court from time to time; and
- (t) to comply with the Protocol,

provided, however, that the Monitor shall comply with all applicable law and shall not have any authority or power to elect or to cause the election or removal of directors of any of the Urbancorp CCAA Entities or any of their subsidiaries.

30. **THIS COURT ORDERS** that, until further order of this court, Robert Kofman, or such representative of KSV Kofman Inc. as he may designate in writing from time to time, is authorized, directed and empowered to act as, and is hereby appointed as, the representative of UNKI on the Management Committee of the Kings Club Development Inc. project (the "**Management Committee Member**"). For purposes of this Order, in carrying out its duties as Management Committee Member pursuant to this Order, the Management Committee Member shall have the same protections afforded to the Monitor pursuant to paragraph 35 of this Order. Subject to further order of this Court, on notice to The Bank of Nova Scotia and King Liberty North Corporation, UNKI otherwise remains unaffected by this Order and the CCAA proceedings.

31. **THIS COURT ORDERS** that the Urbancorp CCAA Entities and their advisors shall cooperate fully with the Monitor and any directions it may provide pursuant to this Order and

shall provide the Monitor with such assistance as the Monitor may request from time to time to enable the Monitor to carry out its duties and powers as set out in this Order or any other Order of this Court under the CCAA or applicable law generally.

32. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or the Property, or any part thereof and that nothing in this Order, or anything done in pursuance of the Monitor's duties and powers under this Order, shall deem the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation.

33. **THIS COURT ORDERS** that, without limiting the provisions herein, all employees of the Urbancorp CCAA Entities shall remain employees of the Urbancorp CCAA Entities until such time as the Urbancorp CCAA Entities may terminate the employment of such employees. Nothing in this Order shall, in and of itself, cause the Monitor to be liable for any employee-related liabilities or duties, including, without limitation, wages, severance pay, termination pay, vacation pay and pension or benefit amounts, as applicable.

34. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Urbancorp CCAA Entities with information provided by the Urbancorp CCAA Entities in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Urbancorp CCAA Entities is confidential, the Monitor shall not

provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Urbancorp CCAA Entities may agree.

35. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

36. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Urbancorp CCAA Entities shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Urbancorp CCAA Entities as part of the costs of these proceedings. ^{subject to being assessed by the court.} The Urbancorp CCAA Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Urbancorp CCAA Entities and any Assistants retained by the Monitor on a weekly basis and, in addition, the Urbancorp CCAA Entities are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Urbancorp CCAA Entities and any Assistants retained by the Monitor, such reasonable retainers as may be requested to be held by them as security for payment of their respective fees and disbursements outstanding from time to time. The Urbancorp CCAA Entities are also authorized and directed to pay the fees and disbursements of KSV as Proposal Trustee, the fees and disbursements of the Proposal Trustee's counsel and the fees and disbursements of counsel to Urbancorp NOI Entities up to the date of this Order in respect of the proposal proceedings of the Urbancorp NOI Entities. WJ.

37. **THIS COURT ORDERS** that KSV in its capacity as Monitor, and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

38. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Urbancorp CCAA Entities' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property of the Applicants, which charge shall not exceed an aggregate amount of \$750,000, as security for their professional fees and disbursements incurred

at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 43 and 45 hereof.

INTERCOMPANY LENDER'S CHARGE

39. **THIS COURT ORDERS** that an Intercompany Lender shall be entitled to the benefit of and is hereby granted a charge (the "**Intercompany Lender's Charge**") on the Property of the Intercompany Borrower as security for all Approved Intercompany Advances advanced to the Intercompany Borrower. The Intercompany Lender's Charge shall have the priority set out in paragraphs 43 and 45 hereof.

INTERIM FINANCING

40. **THIS COURT ORDERS** that the Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the "**Interim Lender's Charge**") on the Property of the Applicants as security for all amounts advanced to any Applicant under the Interim Credit Facility and as security for all liabilities and obligations of the Applicant as guarantors pursuant to the Term Sheet. The Interim Lender's Charge shall have the priority set out in paragraphs 43 and 45 hereof.

41. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender's Charge;
- (b) upon the occurrence of an Event of Default under the Interim Facility Term Sheet, the Interim Lender may terminate the Interim Credit Facility and cease making advances to the Applicants, and, upon five (5) days' notice to the Monitor and the parties on the Service List, may bring a motion for leave to exercise any and all of its rights and remedies against the Applicants or their Property under or pursuant to the Interim Term Sheet, and the Interim Lender's Charge, including without limitation, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a

- bankruptcy order against an Applicant and for the appointment of a trustee in bankruptcy of one or more Applicants; and
- (c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or their Property.

42. **THIS COURT ORDERS AND DECLARES** that the Interim Lender shall be treated as unaffected in any plan of arrangement or compromise filed by any Applicant under the CCAA, with respect to any advances made under the Interim Credit Facility.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

43. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge to the maximum amount of \$750,000;

Second – Interim Lender's Charge to the maximum amount of \$1,900,000 plus accrued interest under the Term Sheet (as against the Property of the Applicants only), and the Intercompany Lender's Charge (as against the Property of the relevant Intercompany Borrower only) on a *pari passu* basis; and

Third – Directors' Charge to the maximum amount of \$300,000.

44. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the Interim Lender's Charge or the Intercompany Lender's Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

45. **THIS COURT ORDERS** that each of the Charges shall rank as against the applicable Property subordinate to all valid perfected security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise granted by each respective

Urbancorp CCAA Entity or to which each respective Urbancorp CCAA Entity is subject (collectively, “**Encumbrances**”) as of the date of this Order (collectively, “**Pre-Filing Security Interests**”), save and except the security interests, if any, in favour of Reznik Paz Nevo Trusts Ltd. in its capacity as trustee (the “**Israeli Trustee**”) under a certain Deed of Trust dated December 7, 2015 between Urbancorp Inc. and the Israeli Trustee, which shall rank subordinate to the Charges.

46. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by further order of this Court, the Urbancorp CCAA Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges.

47. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; (e) the pendency of the Israeli Court Proceedings; or (f) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Urbancorp CCAA Entities, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, or performance of the Interim Facility Term Sheet shall create or be deemed to constitute a breach by the Urbancorp CCAA Entities of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Urbancorp CCAA Entities entering into the Interim Facility Term Sheet or the creation of the Charges; and

- (c) the payments made by the Urbancorp CCAA Entities pursuant to this Order, the Interim Facility Term Sheet, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

48. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Urbancorp CCAA Entity's interest in such real property leases.

SERVICE AND NOTICE

49. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe & Mail – Toronto Edition, a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Urbancorp CCAA Entities of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

50. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.ksvadvisory.com/insolvency-cases-2/urbancorp/> .

51. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Urbancorp CCAA Entities and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices

or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Urbancorp CCAA Entities' creditors or other interested parties at their respective addresses as last shown on the records of the Urbancorp CCAA Entities and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

52. **THIS COURT ORDERS** that the Urbancorp CCAA Entities or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

53. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Urbancorp CCAA Entities, the Business or the Property.

54. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, in Israel or elsewhere, to give effect to this Order and to assist the Urbancorp CCAA Entities, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Urbancorp CCAA Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Urbancorp CCAA Entities and the Monitor and their respective agents in carrying out the terms of this Order.

55. **THIS COURT ORDERS** that each of the Urbancorp CCAA Entities and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

56. **THIS COURT ORDERS** that any interested party (including the Urbancorp CCAA Entities and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

57. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



**ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:**

MAY 18 2016

PER / PAR: *RW*

SCHEDULE "A"

List of Non Applicant Affiliates

- Urbancorp Power Holdings Inc.
- Vestaco Homes Inc.
- Vestaco Investments Inc.
- 228 Queen's Quay West Limited
- Urbancorp Cumberland 1 LP
- Urbancorp Cumberland 1 GP Inc.
- Urbancorp Partner (King South) Inc.
- Urbancorp (North Side) Inc.
- Urbancorp Residential Inc.
- Urbancorp Realtyco Inc.

SCHEDULE "B"

PROTOCOL

For Co-operation Among Canadian Court Officer and Israeli Functionary

BETWEEN:

GUY GISSIN, in his capacity
as Functionary Officer appointed by
the Israeli Court for Urbancorp Inc.

- and -

KSV KOFMAN INC., in its capacity
as proposal trustee and proposed monitor
of certain subsidiaries of Urbancorp Inc.

WHEREAS KSV Kofman Inc. ("KSV") was appointed the proposal trustee in respect of each of Urbancorp (Lawrence) Inc., Urbancorp (Mallow) Inc., Urbancorp (Patricia) Inc., Urbancorp (St. Clair Village) Inc., Urbancorp Downsview Park Development Inc. and Urbancorp Toronto Management Inc. (the "**Initial Subsidiaries**"), in notice of intention filings made by each of the Initial Subsidiaries under the *Bankruptcy and Insolvency Act* ("**BIA**") on April 21, 2016 (the "**Proposal Proceedings**");

AND WHEREAS Guy Gissin was appointed as Functionary Officer on a preliminary basis (the "**Israeli Parentco Officer**") of Urbancorp Inc. ("**Parentco**"), the parent of the Initial Subsidiaries, by order of the District Court in Tel Aviv-Yafo (the "**Israeli Court**") dated April 25, 2016 (the "**Israeli Functionary Order**") in case number 44348-04-16 *Reznik Paz Nevo Trusts Ltd. Vs. Urbancorp Inc.* (the "**Israeli Proceedings**");

AND WHEREAS it is anticipated that, with the exception of Bosvest Inc., Edge Residential Inc. and Edge on Triangle Park Inc., which are in separate BIA proposal proceedings with the Fuller Landau Group Inc. as proposal trustee, and Urbancorp Cumberland GP 2 Inc., Urbancorp Cumberland 2 LP and Westside Gallery Lofts Inc. (the "**Excluded Subsidiaries**"), all of the direct and indirect subsidiaries of Urbancorp Inc. (collectively, excluding the Excluded Subsidiaries, the "**Applicants**") will bring an application in the Ontario Superior Court of Justice – Commercial List (the "**Canadian Court**") for relief pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**") wherein the Proposal Proceedings will be taken up and continued within the CCAA Proceedings;

AND WHEREAS it is anticipated that the Israeli Parentco Officer will seek to have the Israeli Functionary Order and its role as the Israeli Parentco Officer recognized by the Canadian Court for the purpose of representing the interests of Parentco and participating as a stakeholder representative in the Applicants' CCAA Proceedings in connection with protecting the interests of Parentco's creditors, including the holders of the bonds issued on the Tel Aviv Stock Exchange (the "**Parentco Bonds**") pursuant to a deed of trust dated December 7, 2015 (the "**Parentco Bond Indenture**");

AND WHEREAS KSV and the Israeli Parentco Officer have agreed to work cooperatively on the terms set out herein to attempt to maximize recoveries through an orderly process for the stakeholders of Parentco and the Applicants (collectively, the "Urbancorp Group");

NOW THEREFORE, the Israeli Parentco Officer and KSV agree to implement the following protocol to cooperate with each other to maximize recoveries for the stakeholders of the Urbancorp Group:

1. The Israeli Parentco Officer will file an application under Part IV of the *Companies' Creditors Arrangement Act* ("CCAA"), seeking recognition of the Israeli Proceedings and of his appointment as foreign representative of Parentco thereunder, such application to seek recognition of the Israeli Proceedings as the "foreign main proceeding" with respect to Parentco. That application will include a request to appoint KSV as the Information Officer with respect to the Part IV CCAA proceedings of Parentco (the "Part IV Proceedings").
2. The Applicants will commence the CCAA Proceedings, proposing KSV to be appointed as Monitor with augmented powers so as to control ordinary course management and receipts and disbursements of funds for the Applicants. KSV acknowledges that the Israeli Parentco Officer shall have standing to appear before the Canadian Court as the representative of Parentco in the CCAA Proceedings.
3. The Israeli Parentco Officer and KSV agree that, with respect to the CCAA Proceedings:
 - (a) KSV shall provide the Israeli Parentco Officer with regular and timely information updates regarding the ongoing status of the CCAA Proceedings as they unfold. KSV will also provide information and updates to the Israeli Parentco Officer prior to the commencement of the CCAA Proceedings;
 - (b) The Israeli Parentco Officer shall provide KSV with at least three business days' prior notice (including full materials, translated into English) of any proceeding, motion or action it takes in the Israeli Court that will negatively impact the Applicants or the CCAA Proceedings. The Israeli Parentco Officer will also provide information and updates to KSV prior to the commencement of the CCAA Proceedings;
 - (c) KSV shall provide the Israeli Parentco Officer with at least three business days' prior notice (including full materials, translated into English) of any proceeding, motion or action it takes in the Canadian Court that will negatively impact the Urbancorp Inc. or the Israeli Proceedings. KSV will also provide information and updates to Israeli Parentco Officer prior to the commencement of the CCAA Proceedings;
 - (d) KSV shall provide to the Israeli Parentco Officer copies of all information pertaining to the Applicants:
 - (i) in KSV's possession that KSV considers material; or

- (ii) as reasonably requested by the Israeli Parentco Officer,

provided that KSV, in good faith, is not of the view that such information is subject to privilege or confidentiality restrictions. If KSV is of the view that such information is subject to privilege or confidentiality restrictions, then KSV shall so inform the Israeli Parentco Officer and shall seek directions from the Canadian Court on notice to the affected parties in the CCAA Proceedings as to whether there are any restrictions which would prevent the disclosure of such information to the Israeli Parentco Officer.

- (e) The Israeli Parentco Officer shall provide to KSV, in its capacity as the Information Officer of Parentco in the Part IV Proceedings, copies of all information pertaining to the Israeli Proceedings:

- (i) in the Israeli Parentco Officer's possession that it considers material to the Israeli Proceedings and is not subject to privilege or confidentiality restrictions; or

- (ii) as reasonably requested by KSV, provided that this shall not entitle KSV or any party requesting information through them to receive information on ongoing reviews or investigations being undertaken by the Israeli Parentco Officer or others in connection with the Israeli Proceedings; and

- (f) KSV will run an orderly dual track sale and restructuring process with respect to the Applicants, subject to approval by the Canadian Court in the CCAA Proceedings, which will consider both development opportunities and opportunities to sell the properties of the Applicants. KSV will design such process collaboratively, with the Israeli Parentco Officer, with the understanding that at any time during the pendency of the sales process, should an offer come forward with respect to any or all of the Applicants contemplating a restructuring or other option which is acceptable to both KSV and the Israeli Parentco Officer, the sale process may be truncated in order to pursue the other option with respect to the Applicant(s) in question. Alternatively, should the sale process continue to the point of submission of bids, subject to Section 4(b) below, copies of all bids will be provided to the Israeli Parentco Officer by KSV, and KSV shall discuss same with the Israeli Parentco Officer, with the objective, but not the obligation, of hopefully concurring on the course of action to be followed in terms of which bids to continue negotiating or which bid(s) to select as the successful bidder(s). KSV acknowledges that, throughout these processes, the Israeli Parentco Officer may from time to time require instructions and/or directions from the Israeli Court, and that the process shall be conducted in a fashion to permit the Israeli Parentco Officer the opportunity to do so on a timeframe consistent with the urgency of the circumstances then in question. The Israeli Parentco Officer and KSV agree that, in the event there is a disagreement between the Israeli Parentco Officer and KSV as to the working out of the sale and restructuring process, whether it be in terms of selecting an alternative option to a sale (including, without limitation, pursuing any development opportunities), determining which bids to proceed to negotiate further, or seeking approval of a particular sale from

the Canadian Court supervising the CCAA Proceedings, the ultimate decision and course of action shall be determined by the Canadian Court on application by KSV for directions and provided that the Israeli Parentco Officer shall have standing as representative of Parentco to make full representations to the Canadian Court as to his views and recommendations.

- (g) The initial order made in the CCAA Proceedings concerning all of the Applicants shall contain the following paragraph pertaining to material or non-ordinary course decisions or disbursements:

THIS COURT ORDERS that the Applicants shall not, without further order of this Court: (a) make any disbursement out of the ordinary course of its Business exceeding in the aggregate \$100,000 in any calendar month; or (b) engage in any material activity or transaction not otherwise in the ordinary course of its Business.

In the event that such paragraph is not included in the initial order for the Applicants or any of them, then any such disbursement or other material activity or transaction shall not be made without the order of the Canadian Court.

4. The Israeli Parentco Officer and KSV further agree to cooperate as follows:
- (a) to the extent practicable, each shall share with the other copies of materials to be filed with their respective courts (but not drafts of any such materials), prior to the public filing of same. This provision may not apply to materials submitted in the course of seeking directions from the Canadian Court in the event of a disagreement between the Israeli Parentco Officer and KSV over the working-out of the sale process; and
 - (b) The Israeli Parentco Officer agrees that any information provided to him by KSV in the course of the sale process or concerning any restructuring alternatives, shall remain confidential and not be disclosed to any party without KSV's consent, not to be unreasonably withheld, it being acknowledged that the Israeli Parentco Officer shall be entitled to provide information to its advisors (provided they agree to be bound by the confidentiality restrictions detailed herein) and to both the Israeli Court and the Official Receiver of the Israeli Ministry of Justice, in each case on a sealed and private basis to obtain directions as needed, or as may be set forth in the Non-Disclosure Agreement executed by the Israeli Parentco Officer on May 11, 2016.
5. The Israeli Parentco Officer and KSV acknowledge that, at present, KSV has the amount of CDN\$1.9 million in a trust account, which funds KSV received from Urbancorp Partner (King South) Inc. ("UPKSI"), and which funds KSV has proposed to utilize as a form of interim funding for certain costs of the CCAA Proceedings, to be secured by a priming charge in favour of UPKSI against the assets of the entities utilizing the funds. KSV acknowledges that it will seek to obtain, as soon as possible, a general purpose DIP loan from third party sources and sufficient to repay amounts borrowed from UPKSI, using what are otherwise unencumbered assets of the Applicants (the "DIP Loan").

Upon being able to draw sufficient funds under the DIP Loan (which DIP Loan subject to the approval of the Canadian Court), KSV agrees that it will repay to UPKSI the interim loan made to that date in the preceding sentence from the DIP Loan and that it will, as the court-appointed monitor of UPKSI and subject to Court approval in the Part IV Proceedings, make available funds from that CDN\$1.9 million as an interim loan from UPKSI to Urbancorp Inc., to be secured by a priming DIP charge against the assets of Urbancorp Inc., to assist in the funding of the costs of the Part IV Proceedings including the reasonable costs incurred by the Israeli Parentco Officer in connection with the Part IV Proceedings, the reasonable fees and disbursements of the Israeli Parentco Officer's Canadian counsel and the Information Officer and its counsel.

6. The Israeli Parentco Officer shall support the commencement of the CCAA Proceedings. Provided that KSV is acting in good faith and has not engaged in willful misconduct or gross negligence, the Israeli Parentco Officer shall not take any steps to attempt to remove KSV as either the proposal trustee under the Proposal Proceedings or the monitor under the CCAA Proceedings or to in any way to interfere with or seek to limit KSV's powers in such capacities or to suggest that KSV must take instruction from it or the Israeli Court or terminate the CCAA Proceedings without the consent of KSV or by order of the Canadian Court. Nothing herein shall be deemed to grant any additional claims, rights, security or priority to, or in respect of, the Parentco Bonds or to the trustee under the Parentco Bond Indenture or to the Israeli Parentco Officer as against the Applicants or any affiliate or direct or indirect subsidiary of Parentco. In the event of any restriction or termination of the Israeli Parentco Officer's powers by the Israeli Court, this Protocol shall be deemed to be modified accordingly such that the Israeli Parentco Officer's powers and authority hereunder are no greater than those given to him by the Israeli Court.
7. This Protocol shall be governed by laws of Ontario and the laws of Canada as applicable and all disputes or requests for direction in connection with this Protocol shall be determined by the Canadian Court. Nothing herein is or shall be deemed to be an attachment by KSV to the Israeli Court or the laws of Israel.
8. The Israeli Court Officer and KSV agree to use reasonable efforts to seek to commence the proceedings noted above on or before May 18, 2016. KSV shall support, to the extent necessary, an application by the Israeli Parentco Officer to commence the Part IV Proceedings, on terms consistent with this Protocol, even if commenced before the CCAA Proceedings.

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9. This Agreement is subject to the approval of the Israeli Court and the Canadian Court.

DATED this _____ day of May, 2016.

Name of Witness:

} _____
Name: **GUY GISSIN**, the Israeli Parentco
Officer

**KSV KOFMAN INC. in its capacity
as proposal trustee and proposed monitor
of certain subsidiaries of Urbancorp Inc.,
and not in its personal capacity**

By: _____

Name: Robert Kofman
Title: President

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF URBANCORP TORONTO MANAGEMENT INC., URBANCORP (ST. CLAIR VILLAGE) INC., URBANCORP (PATRICIA) INC., URBANCORP (MALLOW) INC., URBANCORP (LAWRENCE) INC., URBANCORP DOWNSVIEW PARK DEVELOPMENT INC., URBANCORP (952 QUEEN WEST) INC., KING RESIDENTIAL INC., URBANCORP 60 ST. CLAIR INC., HIGH RES. INC., BRIDGE ON KING INC. (THE "APPLICANTS") AND THE AFFILIATED ENTITIES LISTED IN SCHEDULE "A" HERETO

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
PROCEEDINGS COMMENCED AT TORONTO

INITIAL ORDER
(May 18, 2016)

BORDEN LADNER GERVAIS LLP
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Direct Fax: 416-361-2557
Email: kplunkett@blg.com

Lawyers for the Applicants

Appendix “B”

Urbancorp Toronto Management Inc.

Urbancorp (952 Queen West) Inc.

King Residential Inc.

Urbancorp 60 St. Clair Inc.

High Res. Inc.

Bridge on King Inc.

Urbancorp Power Holdings Inc.

Vestaco Homes Inc.

Vestaco Investments Inc.

228 Queen's Quay West Limited

Urbancorp Cumberland 1 LP

Urbancorp Cumberland 1 GP Inc.

Urbancorp Partner (King South) Inc.

Urbancorp (North Side) Inc.

Urbancorp Residential Inc.

Urbancorp Realtyco Inc.

Appendix “C”

PROTOCOL
For Co-operation Among Canadian Court Officer and Israeli Functionary

BETWEEN:

GUY GISSIN , in his capacity
as Functionary Officer appointed by
the Israeli Court for Urbancorp Inc.

- and -

KSV KOFMAN INC., in its capacity
as proposal trustee and proposed monitor
of certain subsidiaries of Urbancorp Inc.

WHEREAS KSV Kofman Inc. ("**KSV**") was appointed the proposal trustee in respect of each of Urbancorp (Lawrence) Inc., Urbancorp (Mallow) Inc., Urbancorp (Patricia) Inc., Urbancorp (St. Clair Village) Inc., Urbancorp Downsview Park Development Inc. and Urbancorp Toronto Management Inc. (the "**Initial Subsidiaries**"), in notice of intention filings made by each of the Initial Subsidiaries under the *Bankruptcy and Insolvency Act* ("**BIA**") on April 21, 2016 (the "**Proposal Proceedings**");

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AND WHEREAS it is anticipated that, with the exception of Bosvest Inc., Edge Residential Inc. and Edge on Triangle Park Inc., which are in separate BIA proposal proceedings with the Fuller Landau Group Inc. as proposal trustee, and Urbancorp Cumberland GP 2 Inc., Urbancorp Cumberland 2 LP and Westside Gallery Lofts Inc. (the "**Excluded Subsidiaries**"), all of the direct and indirect subsidiaries of Urbancorp Inc. (collectively, excluding the Excluded Subsidiaries, the "**Applicants**") will bring an application in the Ontario Superior Court of Justice – Commercial List (the "**Canadian Court**") for relief pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**") wherein the Proposal Proceedings will be taken up and continued within the CCAA Proceedings;

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AND WHEREAS KSV and the Israeli Parentco Officer have agreed to work cooperatively on the terms set out herein to attempt to maximize recoveries through an orderly process for the stakeholders of Parentco and the Applicants (collectively, the "**Urbancorp Group**");

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 - (b) The Israeli Parentco Officer shall provide KSV with at least three business days' prior notice (including full materials, translated into English) of any proceeding, motion or action it takes in the Israeli Court that will negatively impact the Applicants or the CCAA Proceedings. The Israeli Parentco Officer will also provide information and updates to KSV prior to the commencement of the CCAA Proceedings;
 - (c) KSV shall provide the Israeli Parentco Officer with at least three business days' prior notice (including full materials, translated into English) of any proceeding, motion or action it takes in the Canadian Court that will negatively impact the Urbancorp Inc. or the Israeli Proceedings. KSV will also provide information and updates to Israeli Parentco Officer prior to the commencement of the CCAA Proceedings;
 - (d) KSV shall provide to the Israeli Parentco Officer copies of all information pertaining to the Applicants:
 - (i) in KSV's possession that KSV considers material; or

- (ii) as reasonably requested by the Israeli Parentco Officer,

provided that KSV, in good faith, is not of the view that such information is subject to privilege or confidentiality restrictions. If KSV is of the view that such information is subject to privilege or confidentiality restrictions, then KSV shall so inform the Israeli Parentco Officer and shall seek directions from the Canadian Court on notice to the affected parties in the CCAA Proceedings as to whether there are any restrictions which would prevent the disclosure of such information to the Israeli Parentco Officer.

- (e) The Israeli Parentco Officer shall provide to KSV, in its capacity as the Information Officer of Parentco in the Part IV Proceedings, copies of all information pertaining to the Israeli Proceedings:

- (i) in the Israeli Parentco Officer's possession that it considers material to the Israeli Proceedings and is not subject to privilege or confidentiality restrictions; or

- (ii) as reasonably requested by KSV, provided that this shall not entitle KSV or any party requesting information through them to receive information on ongoing reviews or investigations being undertaken by the Israeli Parentco Officer or others in connection with the Israeli Proceedings; and

- (f) KSV will run an orderly dual track sale and restructuring process with respect to the Applicants, subject to approval by the Canadian Court in the CCAA Proceedings, which will consider both development opportunities and opportunities to sell the properties of the Applicants. KSV will design such process collaboratively, with the Israeli Parentco Officer, with the understanding that at any time during the pendency of the sales process, should an offer come forward with respect to any or all of the Applicants contemplating a restructuring or other option which is acceptable to both KSV and the Israeli Parentco Officer, the sale process may be truncated in order to pursue the other option with respect to the Applicant(s) in question. Alternatively, should the sale process continue to the point of submission of bids, subject to Section 4(b) below, copies of all bids will be provided to the Israeli Parentco Officer by KSV, and KSV shall discuss same with the Israeli Parentco Officer, with the objective, but not the obligation, of hopefully concurring on the course of action to be followed in terms of which bids to continue negotiating or which bid(s) to select as the successful bidder(s). KSV acknowledges that, throughout these processes, the Israeli Parentco Officer may from time to time require instructions and/or directions from the Israeli Court, and that the process shall be conducted in a fashion to permit the Israeli Parentco Officer the opportunity to do so on a timeframe consistent with the urgency of the circumstances then in question. The Israeli Parentco Officer and KSV agree that, in the event there is a disagreement between the Israeli Parentco Officer and KSV as to the working out of the sale and restructuring process, whether it be in terms of selecting an alternative option to a sale (including, without limitation, pursuing any development opportunities), determining which bids to proceed to negotiate further, or seeking approval of a particular sale from

the Canadian Court supervising the CCAA Proceedings, the ultimate decision and course of action shall be determined by the Canadian Court on application by KSV for directions and provided that the Israeli Parentco Officer shall have standing as representative of Parentco to make full representations to the Canadian Court as to his views and recommendations.

- (g) The initial order made in the CCAA Proceedings concerning all of the Applicants shall contain the following paragraph pertaining to material or non-ordinary course decisions or disbursements:

THIS COURT ORDERS that the Applicants shall not, without further order of this Court: (a) make any disbursement out of the ordinary course of its Business exceeding in the aggregate \$100,000 in any calendar month; or (b) engage in any material activity or transaction not otherwise in the ordinary course of its Business.

In the event that such paragraph is not included in the initial order for the Applicants or any of them, then any such disbursement or other material activity or transaction shall not be made without the order of the Canadian Court.

4. The Israeli Parentco Officer and KSV further agree to cooperate as follows:
- (a) to the extent practicable, each shall share with the other copies of materials to be filed with their respective courts (but not drafts of any such materials), prior to the public filing of same. This provision may not apply to materials submitted in the course of seeking directions from the Canadian Court in the event of a disagreement between the Israeli Parentco Officer and KSV over the working-out of the sale process; and
 - (b) The Israeli Parentco Officer agrees that any information provided to him by KSV in the course of the sale process or concerning any restructuring alternatives, shall remain confidential and not be disclosed to any party without KSV's consent, not to be unreasonably withheld, it being acknowledged that the Israeli Parentco Officer shall be entitled to provide information to its advisors (provided they agree to be bound by the confidentiality restrictions detailed herein) and to both the Israeli Court and the Official Receiver of the Israeli Ministry of Justice, in each case on a sealed and private basis to obtain directions as needed, or as may be set forth in the Non-Disclosure Agreement executed by the Israeli Parentco Officer on May 11, 2016.
5. The Israeli Parentco Officer and KSV acknowledge that, at present, KSV has the amount of CDN\$1.9 million in a trust account, which funds KSV received from Urbancorp Partner (King South) Inc. ("UPKSI"), and which funds KSV has proposed to utilize as a form of interim funding for certain costs of the CCAA Proceedings, to be secured by a priming charge in favour of UPKSI against the assets of the entities utilizing the funds. KSV acknowledges that it will seek to obtain, as soon as possible, a general purpose DIP loan from third party sources and sufficient to repay amounts borrowed from UPKSI, using what are otherwise unencumbered assets of the Applicants (the "**DIP Loan**").

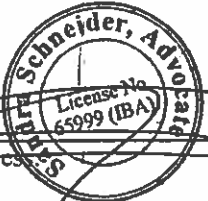
Upon being able to draw sufficient funds under the DIP Loan (which DIP Loan subject to the approval of the Canadian Court), KSV agrees that it will repay to UPKSI the interim loan made to that date in the preceding sentence from the DIP Loan and that it will, as the court-appointed monitor of UPKSI and subject to Court approval in the Part IV Proceedings, make available funds from that CDN\$1.9 million as an interim loan from UPKSI to Urbancorp Inc., to be secured by a priming DIP charge against the assets of Urbancorp Inc., to assist in the funding of the costs of the Part IV Proceedings including the reasonable costs incurred by the Israeli Parentco Officer in connection with the Part IV Proceedings, the reasonable fees and disbursements of the Israeli Parentco Officer's Canadian counsel and the Information Officer and its counsel.

6. The Israeli Parentco Officer shall support the commencement of the CCAA Proceedings. Provided that KSV is acting in good faith and has not engaged in willful misconduct or gross negligence, the Israeli Parentco Officer shall not take any steps to attempt to remove KSV as either the proposal trustee under the Proposal Proceedings or the monitor under the CCAA Proceedings or to in any way to interfere with or seek to limit KSV's powers in such capacities or to suggest that KSV must take instruction from it or the Israeli Court or terminate the CCAA Proceedings without the consent of KSV or by order of the Canadian Court. Nothing herein shall be deemed to grant any additional claims, rights, security or priority to, or in respect of, the Parentco Bonds or to the trustee under the Parentco Bond Indenture or to the Israeli Parentco Officer as against the Applicants or any affiliate or direct or indirect subsidiary of Parentco. In the event of any restriction or termination of the Israeli Parentco Officer's powers by the Israeli Court, this Protocol shall be deemed to be modified accordingly such that the Israeli Parentco Officer's powers and authority hereunder are no greater than those given to him by the Israeli Court.
7. This Protocol shall be governed by laws of Ontario and the laws of Canada as applicable and all disputes or requests for direction in connection with this Protocol shall be determined by the Canadian Court. Nothing herein is or shall be deemed to be an attachment by KSV to the Israeli Court or the laws of Israel.
8. The Israeli Court Officer and KSV agree to use reasonable efforts to seek to commence the proceedings noted above on or before May 18, 2016. KSV shall support, to the extent necessary, an application by the Israeli Parentco Officer to commence the Part IV Proceedings, on terms consistent with this Protocol, even if commenced before the CCAA Proceedings.

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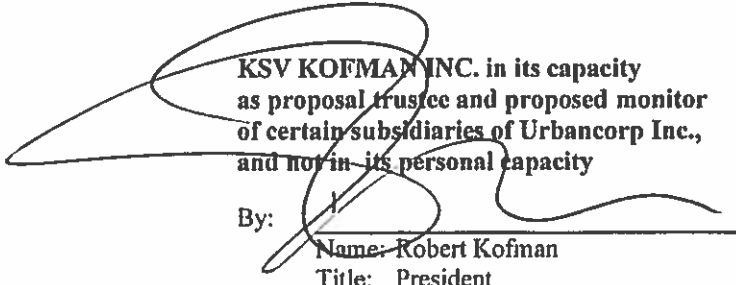
9. This Agreement is subject to the approval of the Israeli Court and the Canadian Court.

DATED this 13 day of May, 2016.

Name of Witness: _____




Name: **GUY GISSIN**, the Israeli Parentco
Officer



**KSV KOFMAN INC. in its capacity
as proposal trustee and proposed monitor
of certain subsidiaries of Urbancorp Inc.,
and not in its personal capacity**

By: _____
Name: **Robert Kofman**
Title: **President**

Appendix “D”

In the Tel Aviv District Court

LF 44348-04-16

In re: The Companies Law, 5759-1999

The Companies Law

The Companies Ordinance [New Version], 5743-1983

The Companies Ordinance

and in re: Urbancorp Inc., Canadian company no. 2471774

The Company

and in re: Adv. Guy Gissin, the Company's functionary

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

The Functionary

and in re: The Official Receiver

of 3 Hashlosa Street, Tel Aviv, Tel. 03-6899695, Fax. 02-6467558

The Official Receiver

**Application for the Grant of Instructions
for Approval of the Functionary's Interim Fee**

The Honorable Court is hereby moved:

- a. to grant approval for payment to the Functionary of Urbancorp Inc. (in suspension of proceedings) (hereinafter respectively - the "**Functionary**" and the "**Company**") of an interim fee of NIS 2.5 million, plus due VAT, in light of his activity and having regard to a first and material distribution (in a sum of NIS 70 million) that will be made in accordance with the application for the grant of instructions for approval of the distribution of a first interim dividend to the bond trustee - Reznik, Paz, Nevo Trusts Ltd (hereinafter - the "**trustee**" or the "**secured creditor**"), which is being filed simultaneously with this application (hereinafter - the "**distribution application**"), and subject to approval of the distribution application;

- b. to grant approval for payment of a supervision fee to the Official Receiver in accordance with section 64(b) of the Companies (Liquidation) Regulations, 5747-1987;
- c. the Honorable Court is also moved to grant approval for reimbursement of the actual expenses borne by the Functionary, in a sum of NIS 16,396 plus VAT, as provided in **appendix 1** of this application.

A. Introduction

- 1. Below is a description of the acts and deeds of the Functionary, in Canada and in Israel, for the purpose of conducting the insolvency proceedings of the Company and maximizing the consideration that will ultimately be distributed to the Company's creditors.
- 2. It is expressed that involved is a partial description only, since a considerable part of the Functionary's acts are confidential pursuant to law and/or agreement, and *inter alia* information conveyed between the Functionary and the Canadian monitors in the framework of the confidentiality agreements executed between the parties is confidential and may only be disclosed in the framework of confidential proceedings. With regard to these parts, several confidential reports and applications have been filed with the Honorable Court.
- 3. We are dealing with very complex international insolvency proceedings, in the framework of which, as a direct result of action taken and applications filed by the Canadian monitor, these proceedings that are being conducted in Israel were recognized as "foreign main proceedings", even though the Company is a Canadian company. In this framework, the Canadian court recognized that these proceedings are the main insolvency proceedings of the Company, while the secondary insolvency proceedings of the subsidiaries are being conducted in Canada. By the nature of things, as a result of the need to hear and attend to aspects and proceedings in Israel and to implement and approve the actions of the court of insolvency in Canada, in many cases the Functionary is required to obtain double recognition and/or approval, from the Honorable Court and from the Canadian court. There is also a need for the transfer of current, bilingual information between the proceedings, which requires reports and translations of the decisions and activity reports received and filed in the various proceedings. This multi-layered and complex activity requires the Functionary to invest many resources, and to collaborate with the Canadian monitors who were appointed for the subsidiaries and involves additional expenses that include, *inter alia*, translations of applications, reports, decisions and the like.

B. The Functionary's acts

Background - the appointment of the Functionary and the appointment of the Canadian monitors on the initiative and at the request of the controlling shareholder

4. As mentioned, in the framework of the appointment order of April 25, 2016 (hereinafter - the "**appointment order**"), the Functionary was appointed by the Honorable Court as the Company's functionary, and was vested with powers to trace and seize assets, exercise the power of control in the subsidiaries, obtain information, conduct proceedings with the Canadian trustees and the Canadian court, and investigating the Company's acts prior to publication of the prospectus and thereafter.
5. The appointment order was given after Mr. Alan Saskin, the Company's controlling shareholder (hereinafter - "**Mr. Saskin**") instituted, on April 21, 2016, insolvency proceedings in relation to five of the group's companies, which held the Company's main assets, including in the backing projects.¹ The flow of monies from the backing projects was intended to serve the debt to the bondholders, in accordance with the bonds' issue prospectus. Mr. Saskin did all this contrary to, or at least in an attempt to evade, his prospectus obligations to the Company itself and to the holders of the bonds that it issued and listed for trade in Israel.
6. KSV Kofman Inc. (hereinafter - "**KSV**") was appointed as trustee for the insolvency proceedings of these companies.
7. Shortly thereafter, Mr. Saskin caused the institution of insolvency proceedings in relation to another group of subsidiaries of the Company, the Edge companies², and the appointment of The Fuller Landau Group Inc. (hereinafter respectively - "**FL**" and the "**Edge group**") as trustee for this group of companies (FL jointly with KSV - the "**Canadian monitors**"). At the Functionary's first meetings in Canada, he was told and it was alleged to him that this group of companies is of **no** real value, that the amount of the said group's debts to the Company are marginal if at all, and that it would "constitute a burden" on the rest of the group's companies.
8. After a series of intensive and complex checks and investigations that were carried out by the Functionary, including frontal investigations and acts of tracing and investigative accounting (including through the financial advisor of the Canadian monitor), **the Functionary managed to prove to FL that about one third of the Edge group's known debts, in a sum of CAD 12 million, which are recorded in the subsidiaries' books as a debt in favor of private**

¹ Lawrance project, Mallow project, Patricia project, Caledonia project and Downsview project.

² The Edge group companies are: Urbancorp Cumberland GP 2 Inc., Urbancorp Cumberland 2 L.P., Bosvest Inc., Edge on Triangle Park Inc. and Edge Residential Inc., not including Westside Gallery Lofts Inc. (hereinafter - the "**Edge companies**").

companies owned by Mr. Saskin, are in fact debts to the Company that were falsely and misleadingly recorded in this way. The origin of the monies is the controlling shareholder's prospectus obligation to provide a sum of CAD 12 million as equity to the Company, which were injected by him to cover the debts of companies from the Edge group. **On the Functionary's demand, Edge's debt situation was amended accordingly, such that the amount of CAD 12 million was recorded as a debt to the Company.** This act and various acts of the Functionary that will be detailed below lead to the potential for significant repayment to the Company from the Edge companies, as detailed below.

9. It is expressed that both KSV and FL were chosen for their positions and appointed at the request of Mr. Saskin and his attorneys, as monitors for the group's companies and for other private companies owned by Mr. Saskin and members of his family or his personal business. These circumstances led to the need for increased supervision over these monitors' acts, for the prevention of problematic acts. The Functionary's findings showed that primarily in the case of FL, there is a need for close control and supervision in order to guarantee that the interests of the Company (as main creditors and as holder of the rights in the shares of the group's companies) are protected, even where this clashes with the interest of Mr. Saskin or of his private creditors, as detailed below.

The execution of minutes and financing agreements with the Canadian monitors

11. During his first visit to Canada immediately after his appointment, the Functionary visited all the group's assets, held a long series of meetings with entities related to the Company or its activity for the purpose of obtaining current information about the situation of the entire group and about the legal and financial possibilities available to him for the purpose of protecting the interests of the Company's creditors, and contracted with legal and financial consultants as required in order to handle proceedings and assets in Canada. Already in this framework, the Functionary contacted various entities which were involved in the group's activity and in the private activities of Mr. Saskin and members of his family. These urgent checks and investigations yielded material information of huge financial importance for protecting the Company's and securing maximum repayment to its creditors, and some of them are confidential to this day.
12. The Functionary conducted intensive negotiations with the aim of reaching a consensus to obtain the Canadian court's recognition of his powers and the validity of the proceedings in the Israeli court, and with the aim of formulating a practical outline for activity that might leave the Functionary with optimum control and assure activity with the aim of reaching an optimal solution for the Company.

13. Thus, in the minutes that were formulated with the Canadian monitors (the wording of which is similar, *mutatis mutandis*), it was held that these proceedings would constitute the main proceedings in relation to the Company's insolvency proceedings, and that the Functionary would be the Company's foreign representative in Canada for such purpose; it was also held that the recovery process or realization of assets in the subsidiaries would be formulated between the Canadian monitors and the Functionary; the Functionary would be given special standing also with regard to the insolvency proceedings of the subsidiaries and would be entitled to information and warning before the institution of certain steps in the framework of these proceedings. In addition, it was agreed that the Functionary would be entitled to formulate information that would help him supervise the conduct of the insolvency proceedings in these companies and with regard to clarifying the circumstances that led to the whole group's collapse.
14. In addition, in the minutes executed with KSV, it was agreed that an amount of up to CAD 1.9 million, which the Functionary found was transferred from the Company by Mr. Saskin to KSV for the purpose of financing the insolvency proceedings of the subsidiaries, would be provided by KSV for the purpose of financing the Functionary's expenses in the framework of the proceedings in Canada, including the costs of his legal advisors and financial consultant, in accordance with the financing agreement executed between the parties. Hence, to this date these considerable expenses are being financed from the aforesaid monies, without the need to obtaining financing for them from Israel.

Recognition of the Israeli proceedings as foreign main proceedings and of the Functionary as the Company's foreign representative

16. The collaboration minutes with the Canadian monitors were approved by this Honorable Court in its decisions of May 22, 2016 and June 16, 2016 (application no. 12), and were also approved by the Canadian court.
17. In accordance with the understandings in the collaboration minutes, on May 18, 2016 the Canadian court recognized the Israeli proceedings as foreign main proceedings and the Functionary as the Company's foreign representative, expressly noting that it was doubtful if pursuant to the Canadian law there is room to recognize Israel as a Center of Main Interest (COMI) of the Company. Nonetheless, the Canadian court chose to honor the understandings between the parties, His Honor Judge Newbold of the Canadian court emphasizing the great importance that he attributes to the monitors' success in regulating this complex international affair and the recognition of the Functionary's pleas in relation to the materiality of the affair to wider aspects pertaining to protecting the interests of the Israeli capital market in general.
18. According to the minutes, KSV was appointed as trustee, and thereafter as "monitor" of most of the group's subsidiaries (hereinafter - the "**general**

insolvency proceedings" and the **"monitor"**), while FL was appointed as trustee and subsequently as monitor of the Edge group's insolvency proceedings (hereinafter - the **"Edge monitor"**).

The backing assets realization process

20. As detailed above, in the collaboration minutes, provision was made for collaboration in relation to the restructuring process or realization of the Company's assets, as follows:

KSV will run an orderly dual track sale and restructuring process "... Collaboratively, with the Israeli Parentco Officer... Alternatively, should the sale process continue to the point of submission of bids, subsection to Section 4(b) below, copies of all bids will be provided to the Israeli Parentco Officer by KSV, and KSV shall discuss same with the Israeli Parentco Officer, with the objective, but not the obligation, of hopefully concurring on the course of action to be followed in terms of which bids to continue negotiating or which (bid(s) to select as the successful bidder(s). KSV acknowledges that, throughout these processes, the Israeli Parentco Officer may from time o time require instructions and/or directions from the Israeli Court and that the process shall be conducted in a fashion to permit the Israeli Parentco Officer the opportunity to do so on a timeframe consistent with the urgency of the circumstances then in question. The Israeli Parentco Officer and KSV agree that the ultimate decision and course of action shall be determined by the Canadian Court on application by KSV for directions and provided that the Israeli Parentco Officer shall have standing as representative of Parentco to make full representations to the Canadian court as to his views and recommendations."

21. In accordance with these provisions, lengthy negotiations were conducted between the Functionary and the monitor with regard to the outline for realization of the backing assets owned by the subsidiaries under his management, and initially negotiations were conducted exclusively with Mattamy (Downsview) Limited (hereinafter - **"Mattamy"**), which is a partner of the Company (50%) in one of the large backing projects - Downsview, for the purpose of executing a transaction for the sale of 50% of the rights of the Company's subsidiaries in the backing projects, with the exception of the Downsview project (hereinafter - the **backing assets"**), the negotiations in respect of which began before the insolvency proceedings by Mr. Saskin. However, it transpired that Mattamy's offer does not suit the structure and timetables dictated by the general insolvency proceedings, and in light of the state of the Canadian real estate market, it was not clear if it would even be possible to maximize the values of the backing assets. In addition, Mattamy's offer was led by Mr. Saskin and included leaving him in a management position.

22. Hence, the monitor and the Functionary decided to engage in a competitive process for the choice of a broker who would act for the purpose of obtaining offers for the purchase of the backing assets or some of them in a relative short period of time.
23. Following a tender published by the monitor for the provision of brokerage services, eight bids were received, from which was chosen, after examination and consultation with the Functionary and his financial advisor, the bid of Colliers International (hereinafter - the "**broker**").
24. On June 30, 2016, the contract with the broker was approved by the Canadian court, and on July 4, 2016 the process began of obtaining offers for the backing assets that included, *inter alia*, the opening of information rooms and the making of oriented approaches and public approaches to potential purchasers.
25. In the scope of this process, about 140 potential purchasers received access to the information rooms and to the information prepared in relation to the backing assets (after the execution of confidentiality agreements), visited the assets and received information insofar as necessary from the companies' advisors.
26. At the end of the stage of receiving bids, 46 bids were received for the purchase of the backing assets³, and in relation to the Lawrance and Mallow assets, the bids were accepted immediately as well as deposits in respect thereof, while in relation to the Patricia and St. Claire assets, there was another round of negotiations. The Functionary received several communications in connection with the purchase of the Company's assets, that were examined and transferred to the monitor for the purpose of including them in the general tender process.
27. The Functionary and his financial and legal advisors were informed of the details of the bids that that were received, requested and received information that they needed and the decisions in relation to the progress in and choice of the winning bids were made by arrangement and consent between the Functionary and the Canadian monitor, and were approved by the Canadian court.
28. As detailed in update report no. 8 of March 30, 2017, for the backing assets' realization the monitor's fund received about CAD 76.5 million, and after the payment of mortgages, certain expenses and the like a sum of approx. CAD 64 million remained in the fund for distribution to these companies' creditors.

The Edge group assets realization process

³ From which 16 bids for the St. Claire project, six bids for the Lawrance project, 10 bids for the Mallow project and 14 bids for the Patricia project.

30. The main asset of the Edge companies group is about 37 housing units and several storerooms and parking bays in the Edge project, which remain in this group of companies (after unlawful transfers of additional housing units [sic] in the project, which were apparently transferred to private creditors of Mr. Saskin). These transfers are (*inter alia*) the cause for the action filed by the Functionary against Mr. and Mrs. Saskin and the family companies owned by them, as detailed below.
31. In the framework of the process for the realization of the Edge group's assets, agreement was reached on the realization of 21 housing units as one piece and on the marketing of the rest of the units by the chosen broker, on a gradual basis. The Functionary receives regular reports on the progress in sales by the broker and supervises the sale proceeds and continued asset realization process.

The process for the realization of housing units in the framework of the general insolvency proceedings

- 33^[w1]. The Functionary examined and approved the entry into agreements for the sale of holdings of the Company's subsidiaries at a rate of 40% in another company which held several housing units together with a partner. The execution of the transaction, the price and the "waterfall payments " in the transaction were examined and approved by the Functionary with the help of his financial and legal advisors in Canada before being filed for the Canadian court's approval.
34. The Functionary supervises and monitors realization of the holdings of the Company's subsidiaries, Urbancorp Residential Inc. and King Residential Inc., in 28 housing units that are owned by them. In light of the similarity to the process for the realization of housing units in the Edge group, the process agreed in relation to the Edge group was copied for the sale of these units as well.

The geothermal assets realization process

36. The Functionary is an active partner in the attempt to realize the geothermal assets in the framework of the general insolvency proceedings, made, with the help of his advisors, a general and legal analysis of the range of possibilities for their realization and even met directly with potential interested parties.
37. In the framework thereof, the Functionary is acting to accelerate regulation of the rights of the group's companies in these assets, which was not done properly by the Company's controlling shareholder. First and foremost, the Functionary demanded that the monitor act for the transfer of 50% of the rights in the Fuzion geothermal asset to a subsidiary of the Company, after in the framework of the series of transactions executed on March 10, 2016 (before the Company's collapse), the controlling shareholder owes the Company's subsidiary the costs of purchasing 50% of the asset, but "forgot" to transfer the holdings purchased to the Company's ownership.

38. The Functionary's legal advisors prepared a written version of irrevocable instructions in such regard that will approve the transfer, and, at the Functionary's request, the monitor is supposed to arrange for the signature thereof by Mr. Saskin and for their execution. It goes without saying that without these acts of the Functionary, this asset would have disappeared from the assets of the Company's group.
39. In addition, the Functionary, with the help of his legal advisors and financial consultant in Canada, is monitoring the legal proceedings that are being conducted for all the Company's geothermal assets (especially proceedings for the collection of debts from occupants who used the geothermal systems but are refusing to pay for this use, contrary to agreement), which have a direct impact on the realization ability and prices of these assets.

The process for the realization of the Company's holdings in Downsview

40. The Functionary is involved in intensive negotiations and talks with the monitor in relation to the possibilities for realizing the Company's holdings in Downsview, and in this framework is examining the financial information on the value and proceeds expected from this project.
41. The Functionary also conducted direct negotiations with several potential bidders in relation to the holdings in this asset.
42. This asset, which is being constructed by the partner (49%) - Mattamy - requires intensive financing and attention, on the one hand, but creates very valuable future potential and allure for many investors, on the other hand. Since it is the partner who is attending to the construction and also financing the construction (including in respect of the share of the Company's group), there are significant difficulties in extracting information and finding a suitable investor who will be acceptable to the partner.

The financing of the insolvency proceedings

45. Both the general insolvency proceedings and the Edge group insolvency proceedings were financed, on the proceedings' commencement, through third parties, against a charge over the group's assets in favor of the financing entity.
46. The financing entity was chosen through a tender process and selection of the chosen bidders, and was done with the collaboration and consent of the Functionary.
47. The Canadian monitors also reached understandings regarding the amount of the withdrawals from the financing facilities and regarding the duty to report to the

Functionary on certain steps to enable supervision with regard to the insolvency proceedings' expenses.⁴

48. In addition, special financing is required to provide the equity needed by the Company's subsidiary in the Downsview project. The need for this financing, its terms and conditions and the relevant financing agreement were discussed with the Functionary, and the Functionary's demands were accepted and assimilated in the body of the agreement that was approved by the Canadian court.
49. The Functionary is holding talks with the Canadian monitor regarding the terms and conditions of this financing and the possibilities for its repayment and has even examined at certain stages independently alternative possibilities for replacing the financing for this project.

Supervision of the Canadian monitors appointed for the subsidiaries

51. The Functionary, with the help of his legal and financial advisors, is supervising and receiving regular updates from the Canadian monitors and in such context is examining the expected flow of monies for the purpose of continuing to manage the proceedings and the reasonableness thereof; the fee expenses of the Canadian monitors and the reasonableness thereof; expenses that the monitors are seeking to incur, such as in relation to necessary renovations and the like.
52. It is noted that in such context the Edge monitor was asked to provide details of the payments made by him to Saskin's personal lawyers, supposedly for acts done for the Edge group, but without the presentation to him of suitable references and/or accounts in relation to the nature or scope of the works executed. Even though this information was requested orally and in writing already in May 2017, to this date clarifications have not been received as aforesaid.
53. In this framework, the Functionary also learned that the Edge monitor intends transferring payments for services to Mr. Ted Saskin, Alan Saskin's brother and one of the entities whose liability for and involvement in the group's collapse is being examined by the Functionary. The Functionary objected to the making of these payments and received written confirmation that they would not be made without notifying him and granting him a right of objection to payments of such type.
54. The Functionary is also engaging in regular meetings, talks and correspondence in order to obtain specific updates or information on the proceedings for approval of the debt claims in the Canadian subsidiaries, the payment of debts, including mortgages (in this framework too, the Functionary's financial advisor

⁴ Correct as at today, the said financing has been paid and the insolvency proceedings are being financed from the proceeds from realization of the assets in these proceedings.

discovered an error in a sum of about CAD 500,000 that was recorded in favor of one of the financing entities in relation to one of the backing assets), the status of the asset realization process and more.

55. The Functionary also met directly with material creditors of the group's subsidiaries in an attempt to accelerate the distribution process and to reach understandings regarding waivers or steps required by them for the purpose of accelerating or maximizing the distributions from the Canadian subsidiaries.
56. The Functionary demanded and received information from the Edge monitor in relation to transfers suspected of being illegal, of housing units in the Edge project as described in paragraph 29 above. This information, which in consequence of communications and demands by the Functionary was published in the Edge monitor's report of June 13, 2017, is a basis for the commencement of legal proceedings against these illegal transfers.
57. The Functionary studies and comments on, from time to time, the activity reports of the Canadian monitors before filing them, and he is up to date and represented at every discussion about them, with discussions regarding deadline extensions, various approvals required by the Canadian court and the like taking place several times a month.

Travelling to Canada and visiting the group's assets

59. The Functionary or his representatives travel to Canada on a quarterly basis, and on these trips they meet with the Canadian monitors and with third parties, as required for the purpose of carrying out investigations and/or accelerating the process of realizing the Company's assets.
60. On these trips, visits are made to the subsidiaries' assets, updates are received on the pace of sales of the housing units, various acts that are being done with the assets and the like.

Investigations, demands for information and correspondence with various entities which were involved in the Company's business

62. The Functionary is acting both through demands for information from the Canadian monitors and independently, in order to obtain materials and information required for his investigations against the entities involved in the Company's collapse.
63. In this framework, the Functionary met with and even investigated third parties which were involved in the Company's activity and business with the Company's management, its legal advisors, its accountants and the like.

64. To date these acts have led to the return of monies in a sum of hundreds of thousands of dollars to the Company's fund, as detailed in update report no. 6 of November 9, 2016 (application no. 22), and to the filing of a claim against Mr. and Mrs. Saskin and family companies owned by them, as detailed below.
65. The Functionary is continuing to act to obtain information on the circumstances of the Company's collapse and is considering possibilities for taking further legal action against various entities liable for the Company's collapse, including Canadian and Israeli entities involved in the planning and execution of the issue of the Company's bonds in December 2015 in Israel.

Planning / institution of legal proceedings in Canada

67. Legal proceedings against TCC Bay

- 67.1 The Functionary instituted legal proceedings in Canada regarding the rejection of a debt claim in an aggregate sum of eight million dollars, against TCC/Urbancorp (Bay) Limited Partnership (hereinafter - "**TCC Bay**" and the "**debt claim**").
- 67.2 As detailed in report no. 8 of the Functionary of March 30, 2017 (application no. 36), the Functionary acted in order to reach understandings with the Saskins, who stood to be the main beneficiaries from the debt claim's rejection, in order to recognize the Company's rights by virtue of the debt claim out of court. When these efforts failed, the Functionary filed an application with the Canadian court for the debt claim's recognition, or, alternatively, for the grant of instructions that the first proceeds from the sale of TCC Bay's assets, which would go to its shareholder, a company owned by Mr. Saskin's wife, would be held on trust for the Company, and would be paid to the Company's fund through the Functionary.
- 67.3 As detailed in update report no. 10 of June 25, 2017 (application no. 45), the Canadian court held in its decision that contrary to the controlling shareholder's declarations in the prospectus, the promissory notes were invalid and that all the companies involved in the transaction under the control of Mr. Saskin, including TCC Bay, knew or should have notice thereof. Accordingly, on June 23, 2017 the Functionary filed an application with the Canadian court to allow the filing of an amended debt claim against TCC Bay, in respect of the damages caused as a result of the promissory notes' invalidity, *inter alia* in order to prevent the distribution of these monies by the TCC Bay monitor. In consequence of the filing of this application, the monitor's report on the expected distributions in TCC Bay included a suitable reserve for the Functionary's debt claim.

68. **Legal proceedings against the Canadian tax authorities**

- 68.1 At or about the time of the Company's collapse, in accordance with Mr. Saskin's instructions, a sum of CAD 12 million was transferred to the Canadian VAT authorities in respect of VAT payments that those companies owned. It transpired that these amounts are in fact the amounts that Mr. Saskin undertook to provide to the Company's equity in the framework of the issue prospectus, and from the Functionary's investigations it emerges that the transfer of these amounts was effected unlawfully, other than in accordance with the corporate governance rules applicable to the Company, and while preferring the personal interest of Mr. Saskin, who bore direct personal liability for these debts in his capacity as a director of those companies.
- 68.2 Checks performed by the Functionary's legal advisors revealed that a refund of the amounts could be demanded from the tax authorities, since the transfers effectively constitute preference of creditors of the VAT authorities. The Functionary's legal advisors drew up a detailed memorandum on the matter and sent it to the Edge monitor, demanding that he institute legal proceedings against the VAT authorities as aforesaid, or that the Company, through the Functionary, institute legal proceedings as aforesaid independently.
- 68.3 After approval of the creditors' committee in the Edge companies group (in which the Functionary also participates through his representatives in Canada) on the initiative and at the demand of the Functionary, on June 8, 2017 the Edge monitor filed an application with the Canadian court for instructions that the said monies constitute the illegal preference of creditors and that these monies should be returned to the Edge monitor in favor of the Edge companies' creditors (of which the Company is a material creditor).

Approval and execution of the debt claim proceedings in Israel and Canada

70. The Functionary and his Canadian attorneys acted to obtain approval for the debt claim proceedings in Israel and Canada and for suitable publication in Israel and Canada.
71. The decision on the Israeli debt claims was made in Hebrew and pursuant to the Israeli law, and the decision on the Canadian [debt] claims was made pursuant to the Canadian law and in English, by the Functionary's Canadian attorneys, in accordance with the provisions of the bonds' issue prospectus, which provided that the Canadian law would apply in relation to the laws of insolvency (save in relation to the controlling shareholders and officers who undertook to subject themselves to the Canadian law).

72. All the debt claims that were filed, the decisions thereon and the communications and appeal proceedings in respect of them, are detailed in update report no. 7 of February 8, 2017 (application no. 32). Some of the debt claim proceedings are subject to appeal proceedings in Canada.

Formulation and publication of an arrangement plan and convening meetings of creditors and shareholders in Israel and Canada

74. In accordance with the approval of the courts in Israel and Canada, on April 30, 2017 the Functionary published a debt arrangement plan for the Company that was aimed at enabling, first and foremost, a distribution of the proceeds from the backing assets' realization. The arrangement plan and report no. 8 of March 30, 2017, which detailed the status of the assets and proceeds in the subsidiaries, were published in Hebrew and in English and sent to the Company's creditors.
75. The Functionary and the Canadian attorneys acted to simultaneously convene meetings of creditors and shareholders, in Israel and in Canada, and to hold a preliminary meeting of the bondholders with regard to the arrangement's approval, which were held simultaneously in Israel and in Canada using video communication means, as provided in report no. 9 of April 30, 2017 (application no. 39).

Filing debt claims in the framework of the insolvency proceedings of the group's companies and of Mr. Saskin

77. On the Company's behalf, the Functionary filed debt claims against the group's subsidiaries, against Mr. Saskin as an officer of those companies and against other companies owned by Mr. Saskin, as detailed in report no. 6 of November 9, 2016 (application no. 22). A debt claim was also filed against TCC Bay as detailed above.
78. The Functionary also filed a debt claim and even personally participated in the creditors' meeting in the personal bankruptcy proceedings of Mr. Saskin. The Functionary is monitoring these proceedings and is receiving, as a creditor of Mr. Saskin, information published by FL, which was appointed as trustee in the personal bankruptcy proceedings of Mr. Saskin.
79. The Functionary is meeting and negotiating with other creditors of Mr. Saskin in order to check the possible ways of acting against Mr. Saskin in his personal bankruptcy proceedings.

Filing a claim against Mr. and Mrs. Saskin and companies owned by them.

81. In accordance with the approval of the court of insolvency in Israel of May 21, 2017 and of May 24, 2017 in confidential applications filed by the Functionary, on June 20, 2017 the Functionary filed a claim in Israel in the Company's name

against Mr. and Mrs. Saskin and family companies owned by them, for breaches of obligations that they assumed to the Company in the framework of the bonds' issue prospectus, in a sum of approx. CAD 32.5 million.

82. The causes of action are based on the findings from the Functionary's investigations of several cases in which assets of the group were transferred to private companies of the Saskins or their creditors, and on a breach of the obligations to transfer assets and monies to the Company in accordance with the undertakings in the bonds' issue prospectus, and which constituted a condition precedent for raising the bonds from the Israeli public.

Negotiations with the monitor in relation to approval of a distribution in the Canadians subsidiaries and approval of a distribution

85^[w2]. The Functionary and his representatives met with the monitor and conducted intensive negotiations with him in relation to the amount of the interim distribution that would be approved at this stage for the Company as a creditor of the Company, having regard to the debts to the other creditors of the group's subsidiaries and the costs of continuing to conduct the legal proceedings.

86. After lengthy talks, agreement was reached on an interim distribution in a sum of approx. CAD 29.4 million, instead of an amount of CAD 20 million that the monitor originally suggested distributing. Agreement was also reached to reduce the reserves that would be kept for the purpose of conducting the proceedings to a sum of approx. CAD 8.2 million, instead of an amount of CAD 10 million that was requested at the outset, as detailed in report no. 10 of June 25, 2017.

The Company's routine management

90^[w3] The Functionary is taking action in the framework of the Company's routine management, management of its bank accounts in Israel and Canada, filing applications for tax refunds in Canada, preparation and signing of the Company's financial statements.

91. In this framework the Functionary has to file suitable applications in Israel and Canada.

Conduct of other proceedings in Israel

92. Apex Issuances Ltd (hereinafter - "**Apex**") - the conduct of proceedings instituted by Apex for approval to file a third party notice against the Company, in the scope of an application for recognition of a class action filed by Ms. Naomi Monrov against Apex in CA 16552-04-16 - application no. 24, and an appeal filed by Apex against rejection of the debt claim filed by it - MCA 5249-06-17. These proceedings are pending.

93. CA 1746-04-16, Pechthold v. Urbancorp et al - an application for recognition of a class action filed against the Company, with the Honorable Court's approval and against others. The Functionary is representing the Company in these proceedings, and for these proceedings the Functionary's firm is entitled to a separate fee, as provided in the Honorable Court's decision of December 27, 2017 (application no. 27).
94. In addition to the aforesaid, the Functionary must reply to other applications of third parties - thus, for example, the application of the creditor - Maarabi in application no. 23; Tuvia Pechthold's application for approval to conduct the [class] action against the Company and to instruct the Functionary to cease representing the Company in the class action (application no. 10); Tuvia Pechthold's application to order the designation of monies (application no. 34); the application of FL and three companies owned by the Saskins to join the insolvency proceedings (application no. 33); an appeal filed by directors of the Company against the Functionary's decision on a debt claim filed by them (MCA 3307-01-17), and more.

C. Interim fee for an interim distribution

95. **As detailed above, the expected financial outcome in this case is unprecedented and self-explanatory. The Functionary's many acts in this case, including the conduct of legal proceedings in Canada against many parties, alongside many legal proceedings conducted in Israel, *inter alia* proceedings against third parties, have quickly led to an optimal legal and financial outcome for the creditors, and is expected to still yield more monies in future.**
96. As described at length above, the acts and efforts of the Functionary and his staff exceeded any standard framework of creditors' arrangement and suspension of proceedings. These acts have yielded for the fund, already now, a significant sum of **approx. NIS 80 million**.
97. As detailed in the distribution application, on July 4, 2017 a sum of CAD 29,601,956 was received in the Functionary's account, part of this amount was converted into new shekels in a sum of approx. NIS 77 million, from which the Functionary is seeking, in the framework of the distribution application, to distribute a sum of NIS 70 million to the secured creditor. This sum is about 37% of all the approved debt to creditors (approx. NIS 188,000,000). The balance, in a sum of approx. NIS 7 million, is designated for use by the Functionary for the payment of the fees and costs of the proceedings, including the Functionary's interim fee, refund of the expenses cushion that was deposited by the bond trustee⁵, the fee of the Official Receiver and the fee and expenses of

⁵ NIS 500,000 that the FF is liable to return to the trustee in respect of the expenses cushion that the trustee provided to the FF's fund at the beginning of these proceedings.

the claim against the Saskins and the family companies; and for the purpose of distribution after approval of the creditors arrangement, a decision on the appeals filed against the ordinary debt claims and in accordance with separate distribution applications that are filed in future.

98. The Functionary intends applying to the Honorable Court in future for the approval of a final fee pursuant to section 8A. of the Companies (Rules for the Appointment and Fee of Receivers and Liquidators) Regulations, 5741-1981 (hereinafter - the "**Fee Regulations**"), having regard to the final distribution made to the Company's creditors; in light of the expected percentage of the immediate distribution to the bondholders (the debt to whom is approx. 98% of all the Company's approved debts (not including conditional or deferred debts), calculated pursuant to section 8A. of the Fee Regulations, the Functionary is already entitled, for the current distribution, to an interim fee of 4% to 5% of the distribution actually made, which could amount to more than NIS 3 million.
99. Nonetheless, in the circumstances of the case, and despite the extensive activity of the Functionary and his staff (on a scale of thousands of hours of work) in the 16 months that have passed since his appointment, the Functionary is requesting that an interim fee be approved for him, on account of the expected final fee, in a sum of only NIS 2.5 million, plus due VAT.
100. Having regard to the provisions of section 14 of the Fee Regulations, which provide that an interim fee shall not exceed 50% of the final fee, and even though further distributions are expected of considerable amounts, **the interim fee requested is on the low side.**
101. The Honorable Court is therefore moved to approve for the Functionary, subject to approval of the distribution application, an interim fee of NIS 2.5 million plus VAT, on account of the final distribution fee an application for the approval of which will be filed in future.
102. The Honorable Court is also moved to grant the Functionary approval to pay, from the fund, the Official Receiver's supervision fee at a rate of 20% in accordance with section 65(b) of the Companies (Liquidation) Regulations, 5747-1987, from the approved fee of the Functionary, in a sum of NIS 500,000.
103. In addition, the Court is moved to approve, for the Functionary's firm, reimbursement of the expenses actually incurred by his firm since his appointment, in an overall sum of NIS 116,395 plus due VAT, as provided in the expenses account annexed hereto as **appendix 1.**

(Signed)

(Signed)

(Signed)

Adv. Yael Hershkovich

Adv. Gilad Bergstein

Adv. Michael Missul

Attorneys for the Functionary of Urbancorp. Inc.

Today, July 3, 2017, Tel Aviv