

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

CANADIAN IMPERIAL BANK OF COMMERCE

Applicant

- and -

**URBANCORP (LESLIEVILLE) DEVELOPMENTS INC.,
URBANCORP (RIVERDALE) DEVELOPMENTS INC., &
URBANCORP (THE BEACH) DEVELOPMENTS INC.**

Respondents

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended, section 68 of the *Construction Lien Act*, R.S.O. 1990, c.
C.30, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43**

MOTION RECORD

DATE: April 20, 2018

GOLDMAN SLOAN NASH & HABER LLP

Barristers and Solicitors
Suite 1600, 480 University Avenue
Toronto, Ontario, M5G 1V2

R. Brendan Bissell (LSUC #: 40354V)

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Lawyers for Terra Firma Capital Corporation

TO: **HARRIS SHEAFFER LLP**
4100 Yonge Street, Suite 610
Toronto, ON M2P 2B5

Attention: Mark Karoly
Tel: 416-250-3686
Email: mkaroly@harris-sheaffer.com

AND TO: **THE SERVICE LIST**

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TAB 1

Court File No. CV-16-11409-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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- and -

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1990, c. C.30, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43**

NOTICE OF MOTION

TERRA FIRMA CAPITAL CORPORATION will make a Motion to a Judge of the Commercial List, on Monday, the 30th day of April, 2018 at 10:00 a.m. or soon after that time as the motion can be heard, at 330 University Avenue, 8th Floor, Toronto, Ontario.

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

- in writing under subrule 37.12.1(1) because it is made without notice;
- in writing as an opposed motion under subrule 37.12.1(4); or
- orally.

THE MOTION IS FOR:

1. An Order substantially in the form attached as **Schedule “A”** directing:
 - a) Harris Sheaffer LLP (“**Harris**”) to remit the \$2,976,722.41 plus any accrued interest that Harris holds in respect of GST or HST paid to Urbancorp (Riverdale) Developments Inc. (“**UC Riverdale**”) for condominium or residential house sales to Alvarez and Marsal Canada Inc. in its capacity as the court appointed receiver and construction lien trustee of the Respondents (the “**Construction Receiver**”); and
 - b) the Construction Receiver to distribute the \$2,976,722.41 plus any accrued interest in accordance with the Order dated May 2, 2017, as amended by the Order dated May 11, 2017, to creditors of the Respondents; and
 - c) Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. Harris holds \$2,976,722.41 in respect of GST or HST paid UC Riverdale for sales of new homes;
2. Harris holds those funds in its capacity as the (then) real estate solicitors for UC Riverdale;
3. There are no written agreements between any of Harris, UC Riverdale and the Applicant regarding the collection or remittance of HST in respect of the sales of new homes by UC Riverdale;
4. Harris took direction from counsel for the Applicant regarding remittance of the HST so collected, so those funds are accordingly not held in trust within the meaning of the common law;
5. UC Riverdale is now bankrupt, so the deemed trust in the *Excise Tax Act* for

unremitted GST or HST is no longer effective;

6. Section 67(1) of the *Bankruptcy and Insolvency Act*;
7. Rules 3 and 37 of the *Rules of Civil Procedure*; and
8. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The Affidavit of Glenn Watchorn sworn March 6, 2018; and
2. Such further and other documentary evidence as counsel may advise and this Honourable Court may accept.

DATE: April 20, 2018

GOLDMAN SLOAN NASH & HABER LLP
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4100 Yonge Street, Suite 610
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AND TO: THE SERVICE LIST

Court File No. CV-16-11409-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) MONDAY, THE
JUSTICE MYERS) 30TH DAY OF APRIL, 2018

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C.30, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43

ORDER

THIS MOTION, made by Terra Firma Capital Corp. (“**Terra Firma**”) for an order declaring that certain funds held by Harris Sheaffer LLP (“**Harris**”) in trust for the Respondents as its former real estate solicitors, and directing Harris to remit the funds in its possession in accordance with the Court’s directions was heard this day at 330 University Ave., Toronto.

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ON READING the Affidavit of Glenn Watchorn sworn March 6, 2018 and on hearing the submissions of counsel for Terra Firma and for Alvarez and Marsal Canada Inc. in its capacity as the court appointed receiver and construction lien trustee of the Respondents (the “**Construction Receiver**”), no one appearing for any other person on the service list, despite being properly served as evidenced by the affidavit of service of ■ sworn ■, 201■:

1. THIS COURT ORDERS that service of Terra Firma’s Motion Record be and hereby is validated so that this motion is properly returnable today and hereby dispenses with any further requirement for service.
 2. THIS COURT ORDERS that Harris be and hereby is directed to remit the \$2,976,722.41 plus any accrued interest that Harris holds in respect of GST or HST paid to the Respondents for condominium or residential house sales to the Construction Receiver, and that upon doing so Harris be and hereby is relieved of all liability in relation to those funds pursuant to the *Excise Tax Act* (Canada) or otherwise.
 3. THIS COURT ORDERS that the Construction Receiver shall distribute the funds received from Harris in accordance with the Order of this Court dated May 2, 2017, as amended by the Order dated May 11, 2017, subject to issues of allocation as between the estates of the individual Respondents if necessary.
-

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Respondents

Court File No. CV-16-11409-00CL

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

ORDER

GOLDMAN SLOAN NASH & HABER LLP

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CANADIAN IMPERIAL BANK OF
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Respondents

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**ONTARIO
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NOTICE OF MOTION

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Lawyers for Terra Firma Capital Corporation

TAB 2

Court File No. CV-16-11409-00CL

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C.30, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43**

**AFFIDAVIT OF GLENN WATCHORN
(sworn March 6, 2018)**

**I, GLENN WATCHORN, of the City of Toronto, Province of Ontario, HEREBY
MAKE OATH AND SAY AS FOLLOWS:**

1. I am the president and chief executive officer of Terra Firma Capital Corporation (“**Terra Firma**”) and therefore have knowledge of the matters in this affidavit. Where any portion of this affidavit is made on information and belief, I have stated the source of that information and believe it to be true.
2. I make this affidavit in support of a motion for directions by Terra Firma regarding

Harmonized Sales Tax (“**HST**”) that Urbancorp (Riverdale) Developments Inc. (“**UC Riverdale**”) collected and sits in a solicitor’s trust account at Harris Sheaffer LLP (“**Harris**”) as a result of the sale of residential freehold townhome units located in the Riverdale neighbourhood of Toronto.

3. Terra Firma seeks an order directing that the HST proceeds held by Harris be paid to Alvarez & Marsal Canada Inc. in its capacity as the court-appointed receiver and manager and construction lien trustee of the Respondents (collectively the “**Construction Receiver**”) for distribution to creditors.

BACKGROUND

4. UC Riverdale together with Urbancorp (Leslieville) Developments Inc. (“**UC Leslieville**”) and Urbancorp (The Beach) Developments Inc. (“**UC Beach**”) are three companies within the Urbancorp group of companies. UC Leslieville, UC Riverdale and UC Beach were set up to develop three projects in the southeast part of Toronto, namely in Leslieville (the “**Leslieville Project**”), Riverdale (the “**Riverdale Project**”) and the Beaches (the “**Beach Project**”).
5. Most of the Urbancorp entities are now in insolvency proceedings. There are two proceedings under the *Companies’ Creditors Arrangement Act* for two differing sets of Urbancorp entities based on their structure and status of their operations.
6. UC Leslieville, UC Riverdale and UC Beach are not part of such CCAA proceedings and are instead subject to this receivership proceeding. This is largely because the expectation at the time that this proceeding commenced was that there were insufficient assets to pay

the creditors, and because these three companies were cross-collateralized in their loan facilities.

7. The loan facilities provided to UC Leslieville, UC Riverdale and UC Beach were provided by both Terra Firma in its subordinate position as well as a bank syndicate comprised of Canadian Imperial Bank of Commerce (“**CIBC**”) as the largest participant and the administrative agent, as well as Laurentian Bank of Canada and Canadian Western Bank (collectively the “**Syndicate**”). Each of the Syndicate and Terra Firma have filed affidavits in this proceeding to substantiate the amounts owing, but I am advised by Ms. Lilly Wong, counsel to the Syndicate, that the amounts owing to the Syndicate are \$26,719,507.09 as of January 31, 2018 and I personally know that Terra Firma is owed \$8,382,186.69 as of January 31, 2018. Those amounts do not include further amounts that the Syndicate and Terra Firma have provided to the Construction Receiver for the build-out of the Leslieville Project as described further below.
8. The Construction Receiver reviewed the security of the mortgages held by the Syndicate and of Terra Firma in its Second Report to the Court dated April 21, 2017, a copy of which is attached without appendices as **Exhibit “A”**.
9. In May of 2016, after the news of general financial troubles for the Urbancorp group of companies became known through proposal filings by the other companies, CIBC on behalf of the Syndicate commenced this receivership application, which resulted in the appointment of the Construction Receiver on May 31, 2016.

ISSUES IN THE RECEIVERSHIP

10. At the time of the appointment of the Construction Receiver, the developments at each of the project sites were in quite different states, as follows:
 - a) the Riverdale Project was almost entirely complete, with all units having been sold before the appointment of the Construction Receiver. The remaining issues largely pertain to the outstanding *Construction Lien Act* claims for which a lien bond has been posted and also outstanding development issues with the City of Toronto for which letters of credit had been posted and might be released;
 - b) a majority of the semi-detached homes forming part of the Beach Project had been completed and sold, but there were eight lots (the “**Beach Lots**”) that had not been completed, some of which had concrete foundations and minimal and unprotected above-grade wood frame construction; and
 - c) the Leslieville Project was a fifty-five unit condominium townhome development between 85 and 90 percent complete, with most mechanical systems installed at the units and completion of most common elements, with also drywall having been almost completely installed and finishes such as flooring, trim and kitchens in the process of installation.
11. As of the date of the appointment of the Construction Receiver, approximately six of the Beach lots were subject to agreements of purchase and sale. Fifty-four out of the fifty five condominium units at the Leslieville Project were subject to agreements of purchase and sale.
12. A significant issue in this proceeding, which was expressly noted in the Syndicate’s application materials, was the question of what should happen with the Leslieville Project

given its advanced state of construction.

13. There was tension between the interests of the intended purchasers and the creditors of UC Leslieville, including most importantly Terra Firma as a subordinate mortgagee, because the agreements of purchase and sale had been signed for the most part in 2011 or early 2012, and by the summer of 2016 were at prices that were quite a bit lower than the market would otherwise charge for those condominium units. Completing the development and selling the units to the existing purchasers pursuant to the terms of their existing agreements of purchase and sale would lead to lesser recovery for creditors, and in the case of Terra Firma as a subordinate mortgagee, no recovery at all. Conversely, terminating the agreements of purchase and sale with existing purchasers would limit them to recovery of their deposits through a combination of Tarion coverage and a deposit insurance policy issued by Travelers, to the extent applicable.

SETTLEMENT ON THE LESLIEVILLE PROJECT

14. In order to attempt to address those competing interests, Terra Firma brought a motion to attempt to redeem the prior interests in the Leslieville Project and the Beach Lots and also vest out the interest of the purchasers, which motion was served on July 15, 2016. A copy of Terra Firma's notice of motion in that regard is attached as **Exhibit "B"**.
15. At the same time as serving that motion, however, Terra Firma also began a series of settlement discussions about whether a consensual resolution to the interest of the parties' in this proceeding might be possible.
16. Through discussions between Terra Firma and a group of purchasers represented by

Dickinson Wright LLP, it became clear that there was a possibility to reach an agreement whereby:

- a) the Leslieville Project could be completed by a developer to be retained by the Construction Receiver;
 - b) the purchasers would pay an increased amount for their respective condominium units and enter into new agreements of purchase and sale if they so desired; and
 - c) the net financial revenue would be likely sufficient to repay all creditors ranking ahead of Terra Firma and would provide a good opportunity for full recovery to Terra Firma in a fashion that was comparable to the redemption and vesting motion if that had been granted.
17. Ultimately, a settlement was reached along those lines with the purchasers, the Syndicate, Terra Firma, the Construction Receiver as well as Craft Development Corporation as the proposed developer and a lender. That settlement was approved by this Court on May 2, 2017. While the settlement documents are voluminous, the outline of that agreement is contained in the settlement approval order of that date, a copy of which is attached as **Exhibit "C"**. The background and issues to that settlement were more fully discussed in the second report of the Construction Receiver, a copy of which is attached (without appendices) as Exhibit "A" as noted above.

STATUS OF THE PROJECTS

18. Contemporaneous with the approval of the settlement for the Leslieville Project on May 2, 2017 and to satisfy one of the conditions precedent of the settlement the Court also

issued a Receivership Administration Order, which authorized the Construction Receiver to make an assignment into bankruptcy for each of UC Riverdale, UC Leslieville and UC Beach. It did so on May 31, 2017 and copies of the certificates of assignment are collectively attached as **Exhibit "D"**.

19. The following is a brief outline on the current status of the Riverdale, Beach, and Leslieville projects.

Riverdale Project

20. As noted above, this project was already complete and fully sold as of the date of the appointment of the Construction Receiver. Prior to the closings of such sales, the lands comprising the Riverdale Project were either 100% owned by UC Leslieville, or 99.999% owned by UC Leslieville with a 0.001% interest being owned by UC Riverdale. UC Riverdale was the Vendor under the agreements of purchase and sale with the purchasers.
21. The developer engaged by the Construction Receiver to complete the Leslieville Project is assisting with analyzing options for recovering some or all of the letters of credit posted by CIBC with the City of Toronto. The Construction Receiver is also working with CIBC to address the construction lien claims that are subject to a bond posted by CIBC with the Court.
22. Otherwise, the main outstanding issue for the Riverdale Project is what to do with the HST that UC Riverdale collected and that now stands in the Harris trust account. The facts that I am aware of on that point will be set out in further detail in a separate section of this affidavit, below.

Beach Project

23. The interests of purchasers in the unsold Beach Lots were vested out in a further Order also made on May 2, 2017, a copy of which is attached as **Exhibit "E"**.
24. The Construction Receiver subsequently marketed the Beach Lots and obtained an Approval and Vesting Order for a sale of those on July 17, which I am advised by counsel for the Construction Receiver closed on July 28, 2017.

Leslieville Project

25. The conditions for the implementation of the settlement of this project were met in May, and the settlement became effective June 2, 2017.
26. Ultimately 40 of the 54 units at the Leslieville Project are involved in the settlement as a result of existing purchasers electing to enter into new agreements of purchase and sale for their Leslieville units. This is far in excess of the minimum 40% threshold (22) that was required and I believe indicates a strong level of support among the purchasers for the settlement.
27. The impetus behind the settlement, namely to reach a compromise that would allow the project to proceed and benefit all parties, therefore appears to be succeeding, for which Terra Firma is both pleased and proud.

FACTS RELEVANT TO THE UNREMITTED RIVERDALE PROJECT HST

28. The following are the facts that I am aware of, and that I believe to be true, regarding the HST that UC Riverdale collected and that now sits in the Harris trust account.

The funds in question

29. As at August 9, 2016, Harris held \$2,976,722.41 in respect of HST that was collected but not remitted by UC Riverdale. A copy of Harris' letter to Tony Zaspalis of the Construction Receiver dated August 9, 2016 on that issue is attached as **Exhibit "F"**.

How the HST proceeds came to be in Harris' trust account

30. I believe that the funds in the Harris trust account come from the HST component of the Riverdale Project units that were sold in the Spring of 2016. All of those sales took place before this receivership.

Discussions or agreements between the parties regarding the HST

31. Terra Firma did not have any agreements or interaction with UC Riverdale regarding the handling of HST proceeds.
32. I am advised by Lilly Wong of Gowling WLG, who acted then and acts now for the Syndicate, that the agreements between the Respondents and the Syndicate regarding sales proceeds are contained in the main credit agreement, a copy of which is attached as **Exhibit "G"**, as well as an irrevocable authorization and direction to Harris, a copy of which is attached as **Exhibit "H"**. Each of those documents speaks about the handling of "net sales proceeds", being the amount that the Syndicate required be paid. Neither document provided, however, for the handling of the HST proceeds that would in the ordinary course have been deducted from what would then be considered "net sales proceeds" to pay down the Syndicate's debt under those agreements.

33. I am further advised by Ms. Wong that in the course of closing arrangements for the sale of the Riverdale Project units, she had correspondence with Harris regarding the HST proceeds. In particular, Ms. Wong advises that:
- a) Harris reported to the Syndicate on closings of Riverdale Project units from time to time, and when it did so it noted that it would directly issue a cheque to the Canada Revenue Agency (“**CRA**”) for HST. For example, Harris’ letter of April 22, 2016 so noted, and the enclosed trust account summary repeated that point, a copy of which is attached as **Exhibit “I”**;
 - b) on May 5, 2016 Ms. Wong had emails with Harris in which she asked that Harris confirm that it would remit the HST, and Harris responded that it was holding the funds to pay the HST, a copy of which is attached as **Exhibit “J”**;
 - c) on May 24, 2016 at 4:20pm Ms. Wong wrote an email to Harris to advise that it had been the Syndicates’ expectation that Harris would remit HST to CRA directly, and that Harris was not to provide those funds to Urbancorp, a copy of which is attached as **Exhibit “K”** ; and
 - d) on May 24, 2016 at 4:31pm Ms. Wong wrote further to Harris to ask that no payments be made and that further instructions would be provided, a copy of which is attached as **Exhibit “L”**.
34. Ms. Wong advises that Harris complied with her request on May 24, 2016 not to do anything further with the HST proceeds.

FACTS RELEVANT TO UC RIVERDALE HST GENERALLY

35. The following are the facts that I am aware of, and that I believe to be true, regarding the HST that UC Riverdale collected and that now sits in the Harris trust account.
36. I am advised by Mr. Zaspalis that the Construction Receiver has reviewed certain notices and correspondence received from CRA with respect to tax matters relating to the Riverdale Project. Mr. Zaspalis also clarified that the Construction Receiver has not conducted any audit of the books and records of the Respondents.
37. Following my discussions with Mr. Zaspalis, I have also been in touch with Christine Honrade, who was the Vice-President and Controller of Urbancorp Toronto Management Inc. (“**UTMI**”).
38. I am advised by Ms. Honrade that previously each of UC Riverdale, UC Leslieville and UC Beach had individual HST accounts. I am further advised by Ms. Honrade that UC Riverdale, UC Beach and UC Leslieville were subsequently all assigned new HST numbers by CRA that were related to the account of TCC/Urbancorp (Bay/Stadium) LP, with each of them being given a different “RT” suffix number to identify each account.
39. Mr. Zaspalis advises that the Construction Receiver’s information is that Urbancorp Bay/Stadium LP is the owner of the Respondents, including UC Riverdale, which is reflected in the organization chart provided to the Construction Receiver by UTMI, a copy of which is attached as **Exhibit “M”**.
40. I am advised by Ms. Honrade that UTMI made the required HST filings on behalf of the Urbancorp companies, including UC Riverdale. For example, attached as **Exhibit “N”** is

- 12 -

the UC Riverdale HST return for the period ending April 30, 2016, which is when the majority of the Riverdale Project unit sales had taken place. Attached as **Exhibit "O"** is the UC Riverdale HST return for the period ending May 30, 2016, which included one further closing.



41. Mr. Zaspalis has provided to me copies of correspondence from CRA regarding UC Riverdale HST, as follows:
 - a) on April 15, 2016, CRA sent a letter and enclosed statement of examination for the HST number allocated to UC Riverdale regarding the period August 1 to 31, 2015, a copy of which is attached as **Exhibit "P"**. The statement asserts that HST was payable on the registration of a condominium at the Riverdale Project in August of 2015;
 - b) on April 20, 2016, CRA issued a Notice of Reassessment for UC Riverdale, a copy of which is attached as **Exhibit "Q"**;
 - c) on May 5, 2016, CRA issued a further Notice of Reassessment for UC Riverdale, a copy of which is attached as **Exhibit "R"**;
 - d) on June 27, 2016, CRA issued a further Notice of Reassessment for UC Riverdale, a copy of which is attached as **Exhibit "S"**; and
 - e) on July 18, 2016, CRA issued a further Notice of Reassessment for UC Riverdale, a copy of which is attached as **Exhibit "T"**.
42. Mr. Zaspalis advises that in response to the CRA Notices of Reassessment, the Construction Receiver filed a Notice of Objection that had been prepared by MNP, a copy


of which is attached as **Exhibit “U”**. The Construction Receiver’s cover letter with the Notice of Objection asked for CRA’s position on whether the obligation to report and remit HST was that of Bay/Stadium or of UC Riverdale.

43. Mr. Zaspalis advises that in response to the Notice of Objection, CRA sent a further Notice of Reassessment dated August 31, 2017, a copy of which is attached as **Exhibit “V”**. That further Notice of Reassessment appears to have accepted the basis set out in the Notice of Objection for calculating HST, namely that it was not payable until the sales of Riverdale Project units in April and May of 2016 rather than in August of 2015. It also appears to have accepted the issue of double counting in prior Notices of Reassessment that the Notice of Objection raised.

44. Terra Firma’s motion solely seeks direction in connection with the unremitted HST that is now in Harris’ trust account following the bankruptcy of UC Riverdale. This motion does not seek any determination with the quantification or other such liability issues in connection with UC Riverdale’s HST affairs.

45. It is Terra Firma’s position that the unremitted HST in Harris’ trust account is an asset that should be used to repay creditors, including Terra Firma, because there is no longer any HST super priority for CRA following the bankruptcies of the Respondents and because the funds in Harris’ trust account are not trust funds for the benefit of CRA.

SWORN before me at the City of Toronto,)
 In the Province of Ontario)
 this 6th day of March, 2018)
)
 A Commissioner for taking oaths, etc.)




 GLENN WATCHORN

BETWEEN

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

Proceedings commenced at Toronto

**AFFIDAVIT OF GLENN WATCHORN
(Sworn March 6, 2018)**

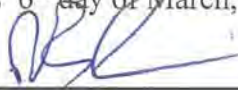
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Lawyers for Terra Firma Capital Corporation

TAB A

This is Exhibit "A" to the Affidavit of
Glenn Watchorn, sworn before me
this 6th day of March, 2018



A Commissioner, etc.

Court File No.: CV-16-11409-00CL

**ONTARIO
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URBANCORP (RIVERDALE) DEVELOPMENTS INC., &
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Respondents

**IN THE MATTER OF SECTION 243 OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, C.B-3, AS AMENDED, SECTION 68 OF THE
CONSTRUCTION LIEN ACT, R.S.O. 1990 C. C. 30, AND UNDER SECTION 101 OF THE
COURTS OF JUSTICE ACT, R.S.O. 1990, C. C. 43**

**SECOND REPORT OF ALVAREZ & MARSAL CANADA INC.,
AS RECEIVER AND MANAGER AND CONSTRUCTION LIEN TRUSTEE
OF THE ASSETS, UNDERTAKINGS AND PROPERTY OF URBANCORP
(LESLIEVILLE) DEVELOPMENTS INC., URBANCORP (RIVERDALE)
DEVELOPMENTS INC., & URBANCORP (THE BEACH) DEVELOPMENTS INC.**

April 21, 2017

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1.0 INTRODUCTION

1. On May 31, 2016, the Ontario Superior Court of Justice (the “**Court**”) issued an order (the “**Appointment Order**”) appointing Alvarez & Marsal Canada Inc. as receiver and manager (in such capacity, the “**Receiver**”), pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c.C.43, as amended, and as construction lien trustee (in such capacity, the “**Construction Lien Trustee**”, and together with the Receiver, the “**Construction Receiver**”), pursuant to section 68 of the *Construction Lien Act*, R.S.O. 1990, c. C.30, as amended (the “**CLA**”), of all of the assets, undertakings, and property acquired for, or used in relation to the business including all proceeds thereof (the “**Property**”) of Urbancorp (Leslieville) Developments Inc., (“**UC Leslieville**”), Urbancorp (Riverdale) Developments Inc. (“**UC Riverdale**”) and Urbancorp (The Beach) Developments Inc., (“**UC Beach**”, together with UC Riverdale, the “**Guarantors**”, and the Guarantors, together with UC Leslieville, the “**Debtors**”) (such proceedings, the “**Receivership Proceedings**”).
2. Prior to the appointment of the Construction Receiver, the Debtors carried on business as land developers principally focused on the development, construction and sale of residential projects located in the Greater Toronto Area.
3. Residential projects under development by the Debtors were typically “pre-sold” by unit and/or home pursuant to agreements of purchase and sale with individual purchasers prior to the commencement of construction. At the commencement of these Receivership Proceedings, the Debtors’ three residential projects, the Riverdale Project, the Leslieville Project, and the Beach Project, were at various stages of completion.
 - a. The Riverdale Project consists of forty-two (42) freehold townhome units and a common elements condominium corporation. Construction of the Riverdale Project is complete with sales to purchasers having closed in late April and early May 2016.
 - b. The Leslieville Project consists of fifty-five (55) condominium townhome units of a proposed condominium (the “**Condominium**”) and a proposed detached house. The units of the Condominium are substantially complete with only certain interior finishes, landscaping, and utility/water connections to be completed. Construction on the detached house has not begun. Of the fifty-five (55) available condominium units, fifty-four (54) were subject to purchase and sale agreements as at the date of the Appointment Order.
 - c. The Beach Project consists of thirty-two (32) semi-detached homes and one (1) detached home. Twenty-five (25) homes are complete with sales to purchasers having closed in 2014 and 2015. The remaining eight (8) homes are in the very early stages of construction (from raw land to initial

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framing). Of these eight (8) homes, six (6) were subject to purchase and sale agreements as at the date of the Appointment Order.

4. Pursuant to the Appointment Order, the Construction Receiver's mandate was to, among other things, take possession, to receive, preserve, protect and maintain control of the Property of the Debtors, and with the approval of the Court, to market, advertise and solicit offers in respect of such Property.
5. The initial phase of these Receivership Proceedings included asset preservation, information gathering and development of an asset realization plan. This initial phase was anticipated to last approximately 6 to 8 weeks. However, the development of an asset realization plan was put on hold as a result of the Terra Firma Motion (described below).
6. On July 15, 2016, Terra Firma Capital Corporation ("**Terra Firma**"), a subordinate mortgagee, served a motion (the "**Terra Firma Motion**"), seeking, among other things, an order: (i) declaring that persons who executed agreements of purchase and sale with UC Leslieville and UC Beach but had not closed were subordinate to the interest of Terra Firma in the Property of the Debtors, (ii) after payment of claims ranking in priority to Terra Firma's security, including those of the first ranking mortgage in favour of the Syndicate (defined below), vesting in Terra Firma all of the Debtors' right, title and interest in and to the Property, free and clear of all claims, including any and all interests of such purchasers, and (iii) declaring that, upon payment of the fees and expenses of the Construction Receiver, the Receivership Proceedings were to be terminated (the "**Redemption Order**").
7. The Terra Firma Motion was originally scheduled to be heard on August 15, 2016. By order of the Court, the August 15th hearing date was vacated and set down for August 31, 2016 to allow time for settlement discussions amongst Terra Firma and key stakeholders, including a subset of forty-six (46) purchasers at the Leslieville Project (the "**Ad Hoc Leslieville Purchasers**") represented by Dickinson Wright LLP ("**Ad Hoc Leslieville Purchasers Counsel**") and C.R.A.F.T. Development Corporation ("**Craft**"), the developer proposed by Terra Firma to complete the Leslieville Project should a settlement be finalized. As settlement discussions were being held, the Terra Firma Motion continued to move forward but was met with significant resistance and proceeded on a contested litigation path. Six (6) chambers appointments were held to address litigation scheduling matters. Responding motion records were filed on September 2, 2016 by Ad Hoc Leslieville Purchasers Counsel and on September 14, 2016 by counsel to a subset of five (5) purchasers at the Beach Project (the "**Ad Hoc Beach Purchasers Counsel**") and one assignor. Shortly thereafter, in late September 2016, cross-examinations of Terra Firma's Chief Executive Officer were held.
8. A mediation was held on September 28, 2016 before The Honourable Mr. Jack Ground to determine if a settlement was possible with respect to the Leslieville

Project. With the assistance of the Construction Receiver and commitment of key stakeholders, including Canadian Imperial Bank of Commerce (“**CIBC**”) in its capacity as administrative agent (the “**Administrative Agent**”) to the senior secured lending syndicate consisting of CIBC, Canadian Western Bank, and Laurentian Bank of Canada (collectively, the “**Syndicate**”), Terra Firma, the Ad Hoc Leslieville Purchasers, and Craft (collectively, the “**Settlement Parties**”), a settlement framework was established at and following the mediation, which has been crystallized into definitive documentation (the “**Proposed Settlement**”).

9. Given the near completion stage of the Leslieville Project and the significant increase in the market value of the units due to market forces, the negotiations, if concluded, centered on maintaining an opportunity for all existing purchasers of the Leslieville Project (the “**Existing Leslieville Purchasers**”) to purchase their respective townhome units, albeit at a higher purchase price given the change in market conditions and subject to other terms and conditions to be set out in a new agreement of purchase and sale following the completion of the development and construction of the Leslieville Project. Development and construction costs would be financed by the Syndicate and Craft, with a cost overrun and completion guarantee provided by Terra Firma.
10. Extensive negotiations were undertaken among the Settlement Parties to reach the Proposed Settlement, including numerous meetings among the Settlement Parties and the Construction Receiver and attendances before this Court. Negotiations were protracted and, at several junctures, the Proposed Settlement appeared to be at risk. However, through the perseverance of the Settlement Parties and the efforts of the Construction Receiver and its counsel, after over eight months of negotiations, including further extensive discussions with Travelers Guarantee Company of Canada/Travelers Insurance Company of Canada (“**Travelers**”), and Tarion Warranty Corporation (“**Tarion**”), the Construction Receiver now seeks court approval of the various agreements and arrangements that give effect to the Proposed Settlement.
11. In contrast to the Leslieville Project, the remaining eight (8) homes of the Beach Project are only at a very early stage of construction. A settlement akin to the Proposed Settlement was canvassed with the Syndicate and Terra Firma but was not supported with respect to the Beach Project.
12. Accordingly, the Construction Receiver seeks this Court’s approval to implement a sales and marketing process with respect to the Beach Project on an “as is” basis, and to repudiate each outstanding agreement of purchase and sale with UC Beach (each an “**Original Beach APS**”) as the Construction Receiver is not capable of performing these agreements.

1.1 PURPOSES OF THIS REPORT

13. The purpose of this second report (the “**Second Report**”) is to:
 - a. describe the Proposed Settlement with respect to the Leslieville Project facilitated by the Construction Receiver amongst the Settlement Parties, and seek this Court’s approval of orders giving effect to the Proposed Settlement (the “**Purchaser Package Approval Order**” and “**Settlement Approval Order**”, respectively);
 - b. describe the proposed sales process with respect to the Beach Project (the “**Beach Sale Process**”) and seek this Court’s approval of an order authorizing (i) the repudiation of each Original Beach APS by the Construction Receiver, and (ii) the engagement of Cushman Wakefield, Brokerage Ltd. (the “**Beach Listing Agent**”) to implement the Beach Sale Process, subject to the supervision of the Construction Receiver (the “**Beach Project Order**”);
 - c. request this Court’s approval of certain administrative matters in respect of the Receivership Proceedings, including (i) an increase to the maximum principal amount of the Construction Receiver’s borrowings from \$3 million to \$6 million, and (ii) authorization for the Construction Receiver to assign the Debtors into bankruptcy (the “**Receivership Administration Order**”);
 - d. provide the Court with the Construction Receiver’s analysis of the priority of secured claims against the Debtors, including an analysis and estimate of the priority of construction lien claims in order to make provision for a fund to be set aside from proceeds of sale to pay such claims;
 - e. provide the Court with a general update of the Construction Receiver’s activities from its appointment to date relating to, among other things, (i) conservatory and security measures, (ii) asset review and analysis, (iii) review of the security positions of the Syndicate, Travelers and Terra Firma, and (iv) court/administrative and regulatory matters; and
 - f. request this Court’s approval of (i) the activities of the Construction Receiver from the date of its appointment to this Second Report, and (ii) the Construction Receiver’s fees and disbursements and the fees and disbursements of its counsel, Gowlings WLG LLP, (“**Construction Receiver’s Counsel**”), its independent counsel, Blake, Cassels & Graydon LLP (“**Construction Receiver’s Independent Counsel**”) and counsel to the Construction Receiver in respect of condominium real estate law, Miller Thomson LLP (“**Construction Receiver’s Real Estate Counsel**”).

1.2 CURRENCY

14. Unless otherwise noted, all currency references in this Second Report are to Canadian dollars.

1.3 RESTRICTIONS

15. In preparing this Second Report, the Construction Receiver has relied on unaudited financial information prepared by the Debtors' management, former employees, and third party financial and construction advisors, the Debtors' books and records and discussions with the Debtors' management and such third parties. The Construction Receiver has not performed an audit or other verification of such information. The Construction Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Second Report, or relied upon by the Construction Receiver in preparing this Second Report.

1.4 DEFINITIONS

16. Capitalized terms in this Second Report shall have the meanings given to them in **Appendix "A"** hereto.

2.0 LESLIEVILLE PROJECT

2.1 BACKGROUND

17. The Leslieville Project is a residential condominium project located in east Toronto's Leslieville neighbourhood.
18. The Leslieville Project is substantially complete with fifty-five (55) condominium townhome units (the "**Units**"), each with a dedicated underground parking unit, and up to eleven (11) excess underground parking units (the "**Excess Parking Units**") and thirty-three (33) bicycle storage units (the "**Bicycle Storage Units**"). The Leslieville Project also includes a proposed three storey freehold detached house (the "**Detached House**"), the construction of which has not commenced. The Units, Excess Parking Units and Bicycle Storage Units are located at 50 Curzon Street, Toronto. The proposed Detached House was to be located on Jones Avenue, Toronto, adjacent to the Units, which is presently a vacant lot (the "**Vacant Lot**").
19. As at the date of the Appointment Order, all of the Units, with the exception of one, were pre-sold prior to construction pursuant to agreements of purchase and sale which UC Leslieville executed in 2011 (each, an "**Original Leslieville APS**"). Pursuant to each Original Leslieville APS, the Units were scheduled to be completed for occupancy in February, 2013.
20. Construction of the Units and parking structure at the Leslieville Project, however, did not commence until late 2012 to early 2013 following the issuance

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of conditional building permits to UC Leslieville by the City of Toronto (the “City”) pursuant to conditional permit agreements (“CPAs”).

21. Since that time, UC Leslieville encountered numerous delays in the construction of the Leslieville Project. As a result, UC Leslieville sought and the City agreed to extend the conditions deadline contained in the CPAs several times, with the latest deadline at the time of the Appointment Order being June 30, 2016. In light of the potential settlement among the Settlement Parties, the Construction Receiver negotiated an extension of this deadline by mutual agreement with the City to December 31, 2016, and subsequently to April 30, 2017. The Construction Receiver is currently seeking a further extension of the CPAs to July 31, 2017.
22. UC Leslieville issued notices of delayed occupancy twelve (12) times over the course of approximately 2.5 years to the Existing Leslieville Purchasers. Based on the information available to the Construction Receiver, UC Leslieville’s last notice was issued on March 16, 2016 and set a revised firm occupancy date of September 14, 2016. Accordingly, the Existing Leslieville Purchasers who executed their Original Leslieville APS in 2011 have waited nearly six (6) years to occupy their Unit.
23. As described in more detail below, the Construction Receiver is of the view that the Units are substantially completed.¹ Based on discussions with management from Urbancorp Toronto Management Inc. (“UTMI”), the former construction manager, the Construction Receiver understands that construction at the Leslieville Project came to a standstill in or about September 2015.

2.2 PATH TO PROPOSED SETTLEMENT

24. In light of the late stage of completion of the Leslieville Project and in order to avoid protracted litigation, extensive settlement discussions were pursued among Terra Firma, the Ad Hoc Leslieville Purchasers, the Syndicate, Craft (as proposed developer), and the Construction Receiver through the course of the summer and fall of 2016. These settlement negotiations proceeded in parallel with the litigation timetable of the Terra Firma Motion set and revised at various chambers appointments by this Court on July 19th, August 10th, August 19th, and August 29th, 2016. The status of the settlement negotiations among the parties has been reported to this Court at various chambers appointments along with periodic updates provided to the Service List.
25. At the request of Ad Hoc Leslieville Purchasers Counsel and after the cancellation of a court-ordered settlement conference, on September 28, 2016, a private mediation among Terra Firma, Craft, the Ad Hoc Leslieville Purchasers, and the Syndicate was conducted by The Honourable Mr. Jack Ground at the offices of

¹The Units still require certain interior finishes, water/sewer connections, internal catch basins, certain rear decks and landscaping to be completed.

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the Construction Receiver's Independent Counsel, and included the Construction Receiver.

26. The mediation brought measured but encouraging success, as the Settlement Parties were able to agree to the principal terms of a settlement in respect of the Leslieville Project. In the weeks that followed, the Construction Receiver and its counsel worked with the Settlement Parties to crystallize the settlement into a framework outline. As the proposed settlement required financial commitments from all Settlement Parties, many of the negotiations were between the Syndicate on the one hand and Terra Firma and Craft on the other hand.
27. On November 7, 2016, the Construction Receiver was advised of an impasse between Craft and the Syndicate in such settlement discussions.
28. At the request of the Construction Receiver, on November 11, 2016, the Construction Receiver and Altus Group Limited (“**Altus**”), the Syndicate’s cost consultant for the Leslieville Project, met with representatives of Craft and Urban Renaissance Inc. (“**URI**”), the proposed builder of the Leslieville Project, primarily to gain an understanding of the impasse between the Syndicate and Craft and to conduct further due diligence with respect to the fixed price proposed by Craft for the completion of the construction of the Leslieville Project. Altus further met with Craft on November 15, 2016.
29. At the initiative of the Construction Receiver, follow up discussions were subsequently held among the Construction Receiver, Craft, URI, Altus, and counsel to Craft, Terra Firma and the Syndicate, which ultimately resolved the impasse. During the course of such discussions, a further material issue arose which was resolved by allowing Craft and URI to conduct an additional level of due diligence during the month of December, 2016 (which was ultimately extended to mid-January, 2017) while the parties pursued negotiation of definitive agreements to give effect to the Proposed Settlement.
30. Following the resolution of these issues, on December 8, 2016, a non-binding settlement framework was agreed to by the Settlement Parties and the Construction Receiver (the “**Settlement Framework**”).
31. Since the conclusion of the Settlement Framework, the parties have been actively negotiating several material definitive agreements and orders to be sought from the Court (collectively, the “**Settlement Definitive Documents**”), including among others:
 - a. the Craft Construction Contract and Craft Development Contract, providing a fixed price for completion of construction of the Leslieville Project and the provision of development services necessary to register the Leslieville Project as a Condominium;
 - b. the TF Cost Overrun Agreement, to address financial support for Cost Overruns;

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- c. the Syndicate Construction Loan Agreement and the Craft Loan Agreement, providing financing to the Construction Receiver to complete construction of the Leslieville Project by Craft;
- d. a form of New APS to be offered to Existing Leslieville Purchasers who opt-in to the Proposed Settlement and do not rescind their New APS within the statutory 10-day cooling off period under condominium law (“**Opt-In Leslieville Purchasers**”);
- e. a form of Standard Form Sale Agreement to be offered to new purchasers (“**New Leslieville Purchasers**”) for Units not sold to Opt-In Leslieville Purchasers;
- f. Condominium Disclosure Documentation for Opt-In Leslieville Purchasers and New Leslieville Purchasers;
- g. a Purchaser Information Package to be provided to Existing Leslieville Purchasers in respect of the Proposed Settlement to assist them in their decision whether to “opt-in” and pay an additional amount of \$255,000 (the “**Premium**”)² for their Unit; and
- h. the proposed Purchaser Package Approval Order and Settlement Approval Order, which give effect to the aforementioned agreements and distribution of proceeds of realization from the Leslieville Project (the “**Proceeds of Realization**”),

all of which are described in more detail below.

- 32. The breadth and complexity of the negotiations of the definitive agreements proved significantly more extensive and took much longer than all parties originally anticipated.
- 33. By late February, the Construction Receiver and the Settlement Parties became increasingly concerned at the delay and expense of the negotiation of the Settlement Definitive Documents. Intensive negotiations among Craft, Terra Firma, the Syndicate and the Construction Receiver and their respective counsel took place throughout March and early April in an effort to resolve outstanding issues and finalize the Settlement Definitive Documents. These efforts included the attendance at a number of “all hands” meetings among Craft, the Syndicate, the Construction Receiver, their counsel and counsel for Terra Firma, as well as the engagement of the Construction Receiver’s Real Estate Counsel to assist in finalizing the New APS and Disclosure Documentation.

² In the Settlement Framework, the Premium was \$225,000. In early April, 2017, to address the substantially higher than anticipated costs associated with the complexities of completing the Settlement Definitive Documents, Terra Firma required an increase of the Premium to \$255,000. The Construction Receiver understands that the increase in the Premium was acceptable to Ad Hoc Leslieville Purchasers Counsel after consultation with their clients, on the basis that the market value of the Units had further improved since the Settlement Framework was achieved.

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34. The Settlement Parties were able to conclude the Settlement Definitive Documentation during this past week. The Proposed Settlement has the following advantages over alternative realization strategies:
- a. it avoids the litigation risks associated with the Terra Firma Motion and the delay and uncertainty of any appeals therefrom;
 - b. it provides predictability of results, given the fixed price component of the Craft Construction Contract, the TF Cost Overrun Agreement provided by Terra Firma, the Premium under the New APS, and other protections contained in the Proposed Settlement (described in more detail below);
 - c. it represents a commitment from all key stakeholders (lenders, purchasers and developer/builder) of the Leslieville Project with the positive result of providing Existing Leslieville Purchasers with an opportunity to purchase and finally occupy their Unit after the long delay caused by UC Leslieville's failures; and
 - d. if approved by the Court, it allows construction to recommence this summer and avoid another winter of inactivity.

2.3 PURCHASER PACKAGE APPROVAL ORDER

35. The Construction Receiver is seeking approval of the Purchaser Package Approval Order which, if granted, will authorize the Construction Receiver to deliver to each Existing Leslieville Purchaser an individualized information package with respect to the Proposed Settlement (the "**Purchaser Information Package**") consisting of:
- a. a notice to each Existing Leslieville Purchaser (the "**Settlement Notice Letter**") notifying them of the Proposed Settlement, the opportunity to enter into a New APS with UC Leslieville, the process to opt-in to the Proposed Settlement and general consequences to an Existing Leslieville Purchaser if they choose to opt-out, and directing them to the Construction Receiver's website for further information, including the Second Report;
 - b. an acknowledgment letter to be signed by each Existing Leslieville Purchaser if they wish to opt-in to the Proposed Settlement (the "**Opt-In Letter**");
 - c. a New APS, which has been executed by UC Leslieville by its Construction Receiver;
 - d. an addendum (the "**Tarion Addendum**") to the New APS from Tarion which forms part of the New APS; and
 - e. a Disclosure Statement and accompanying documentation being:

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- (i) the first year budget statement for the proposed Condominium,
 - (ii) the proposed Declaration, By-laws and Rules for the proposed Condominium,
 - (iii) the proposed Condominium management agreement with FirstService Residential Inc., and
 - (iv) a preliminary draft plan of condominium,
- (collectively, the “**Disclosure Documentation**”);
- f. an acknowledgement to be signed by each Opt-In Leslieville Purchaser of receipt of, among other things, the Disclosure Documentation (“**Acknowledgement**”); and
 - g. in the case of certain Leslieville Assignees, a signed irrevocable direction directing the real estate broker or lawyer (the “**Deposit Holder**”) holding any portion of the purchase price deposit monies paid by such Leslieville Assignee (the “**Old Deposit**”) to release the entire remaining portion of the Old Deposit to the Leslieville Assignor (the “**Irrevocable Direction**”) or other evidence of payment satisfactory to the Construction Receiver.
36. A copy of the proposed Purchaser Information Package is attached as **Schedules “A” to “F”** to the Purchaser Package Approval Order.

2.4 **TREATMENT OF EACH ORIGINAL LESLIEVILLE APS AND EACH NEW APS**

37. Terra Firma did not support the adoption by the Construction Receiver of each Original Leslieville APS, as this would mean that the Construction Receiver would be bound by the terms contained in each agreement, including the payment of certain real estate broker commissions on closing. In addition, the purchase price in each Original Leslieville APS was well below current market values and was not acceptable to Terra Firma from a realization perspective.
38. Accordingly, the Settlement Parties agreed that the offer to Existing Leslieville Purchasers would be embodied in a New APS with the original purchase price increased by the Premium, and the proposed Settlement Approval Order would authorize the Construction Receiver to repudiate each Original Leslieville APS.
39. The New APS was modeled after the Original Leslieville APS with modifications so that the new arrangements were acceptable to the Settlement Parties. A summary of the key terms and conditions of each New APS are as follows:
- a. **Purchased Property:** The Unit contemplated under the Original Leslieville APS, together with a parking unit;

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- b. **Purchase Price:** The purchase price under the Original Leslieville APS, without any adjustments, discounts or credits, plus the Premium;
- c. **Old Deposit:** The Opt-In Leslieville Purchaser will receive credit for the deposits paid by it to UC Leslieville under the Original Leslieville APS (or, in the case of an assignee, paid to the assignor of the Original Leslieville APS);
- d. **Additional Deposit:** A further deposit of \$20,000 payable by each Opt-In Leslieville Purchaser is required to be paid within 40 days from the date the Settlement Conditions are satisfied (or waived), and will be held in trust by the Construction Receiver's real estate counsel pending closing of the New APS;
- e. **Upgrades:** Upgrades contracted for by each Opt-In Leslieville Purchaser (as more particularly set out in **Schedule "F"** to the New APS) will be completed by Craft. If Craft determines that any upgrade contemplated under the New APS cannot be completed on an economic basis, then the Opt-In Leslieville Purchaser will receive a credit on the final statement of adjustments on closing in an amount equal to that portion of the amount paid by the Opt-In Leslieville Purchaser for such upgrade which remains incomplete in whole or in part and Craft will reduce the fixed price payable under the Craft Construction Contract by the same amount;
- f. **Assignability:** Each Opt-In Leslieville Purchaser will not be able to assign its right, title and interest in the New APS to a third party prior to closing. One assignment and one amendment were requested with respect to immediate family members by Ad Hoc Leslieville Purchasers Counsel on the basis that it would cause undue hardship on the Existing Leslieville Purchaser seeking to opt-in to the Proposed Settlement. The Construction Receiver and the Settlement Parties have agreed to such requests on the understanding there are no other hardship requests;
- g. **"As is Where is":** Notwithstanding any warranty coverage provided by Tarion (as described below under *Section 2.5*), the sale to each Opt-In Leslieville Purchaser of its Unit by the Construction Receiver is on an "as is where is" basis without recourse or liability to the Construction Receiver;
- h. **Interim Occupancy:** Pursuant to each of the Craft Construction Contract and Craft Development Contract, interim occupancy of any Unit will not be permitted without the prior written approval of the Construction Receiver. The Construction Receiver will only permit occupancy of a Unit to be taken if it is satisfied (in its sole discretion) that it has sufficient funding available to fund the projected cost to complete the Condominium or any part thereof. On occupancy, the Opt-In Leslieville Purchaser will commence payment to the Construction Receiver of interim occupancy

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fees and other costs pursuant to the occupancy license included as part of the New APS. The Final Tentative Occupancy Date is February 1, 2018 as set out in the Tarion Addendum appended to each New APS, which date may be extended by the Construction Receiver for up to 120 days, such date being the “**Final Tentative Occupancy Date**”. If occupancy is delayed beyond the Final Tentative Occupancy Date compensation must be paid as an adjustment on closing in the amount not exceeding \$7,500 per unit, all as provided for in the Tarion Addendum; and

- i. **Ad Hoc Leslieville Counsel Legal Costs:** The New APS contemplates each Opt-In Leslieville Purchaser paying to the Vendor, in trust, his or her proportionate share of the legal costs and disbursements of Ad Hoc Leslieville Purchasers Counsel (the “**DW Costs**”) with a credit for any retainer already paid. The DW Costs will be an adjustment on the statement of adjustments on closing and will be calculated by Ad Hoc Leslieville Purchasers Counsel and notified in writing to the Vendor. The Construction Receiver has been advised by Ad Hoc Leslieville Purchasers Counsel that as at November 7, 2016 (counsel’s last invoice date), the aggregate fees, disbursements and HST were \$208,274.30.
40. The Settlement Approval Order provides that prior to an Opt-In Leslieville Purchaser taking occupancy of its Unit, the Construction Receiver may deliver a notice to each Opt-In Leslieville Purchaser notifying them of a “Funding Failure” (a “**Funding Failure Notice**”) if the Construction Receiver has determined it does not have, and is unable to obtain sufficient financing or access to sufficient funds from the Syndicate, Terra Firma, or Craft, to fund the projected cost to complete the Condominium or any part thereof (a “**Funding Failure**”). On the delivery of such Funding Failure Notice, the New APS is deemed terminated and null and void and no force and effect, and any deposit monies held by the Construction Receiver will be returned. Once occupancy has been taken of the Unit, the Construction Receiver is not able to deliver a Funding Failure Notice.
 41. Specifically, GC 7.1.8 of the Craft Construction Contract (and the corresponding section of the Craft Development Contract) defines a “Funding Failure” as follows:
 - a. if, at any time and for whatever reason (including by reason of default by the Contractor or the repair or replacement of any damage or destruction to all or any part of the Project), the estimated cost to complete the Work (including rectifying all known Latent Defects and completing all warranty work) and the Development Services, as determined by the Project Monitor, acting reasonably, is greater than the aggregate amount of all funding available for the Project pursuant to the Craft Loan Agreement, the Syndicate Construction Loan Agreement and, to the extent available, the Craft Cash Collateral, and Terra Firma (or to the extent required or permitted under the TF Cost Overrun Agreement, the Contractor and the

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- Syndicate) declines to fund the difference pursuant to the TF Cost Overrun Agreement; or
- b. if, at any time, a Cost Overrun is not funded by Terra Firma as required under the TF Cost Overrun Agreement (or by the Contractor or the Syndicate as required or permitted under the TF Cost Overrun Agreement).
42. In addition, the New APS will not become effective unless the following conditions are satisfied or waived (the “**Settlement Conditions**”) on or before August 31, 2017 (the “**Settlement Orders Outside Date**”), as such date may be extended from time to time as may be agreed to by the Construction Receiver, Craft, Terra Firma and the Administrative Agent:
- a. the Existing Leslieville Purchaser has “opted in” to the Proposed Settlement in accordance with the terms of the Purchaser Package Approval Order by the Opt-In Deadline and has not rescinded their New APS;
 - b. the Settlement Approval Order becomes effective in accordance with its terms and the Construction Receiver has filed a certificate with the Court confirming the same;
 - c. each of the Purchaser Package Approval Order, Settlement Approval Order, Beach Project Order, Receivership Administration Order (the “**Settlement Orders**”) becomes a final and non-appealable order of the Court on or before the Settlement Outside Date, which means that no appeal of such Orders is pending before the expiry of the applicable appeal period, or if such Orders are appealed, such appeal is determined in favour of the Construction Receiver (a “**Final Order**”); and
 - d. All of the conditions precedent under the Settlement Definitive Agreements have been satisfied or waived in accordance with such Settlement Definitive Agreements.
43. If all of the Settlement Conditions are not satisfied or waived by the Settlement Outside Date, each New APS will become null and void and of no force and effect.

2.5 TARION WARRANTY CORPORATION COVERAGE

44. A condition precedent to the Proposed Settlement is that satisfactory arrangements are made with Tarion so that warranty coverage under the *Ontario New Home Warranties Plan Act* (Ontario) (the “**ONHWPA**”) is available to Existing Leslieville Purchasers, New Leslieville Purchasers and the Condominium Corporation. Accordingly, Tarion became an instrumental party in the completion of the Proposed Settlement and their cooperation was of great assistance to the Construction Receiver.

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45. The Construction Receiver understands that based on the provisions of the ONHWPA, interpretation thereof and historical practice, a purchaser who buys a residential Unit from the Construction Receiver pursuant to the terms of the Proposed Settlement properly acquires that Unit subject to the statutory warranty guaranteed by Tarion if the Unit is “substantially completed” as of the date of the Construction Receiver’s appointment.
46. Accordingly, a key issue to be resolved was whether the Leslieville Project was “substantially completed” at the time of the Construction Receiver’s appointment. “Substantially completed” is not defined in the ONHWPA and the Construction Receiver is not aware of any judicial consideration of the term in the context of the ONHWPA. As a result, the Construction Receiver engaged in extensive discussions with Tarion, in consultation with Altus, who performed extensive site inspections and cost-to-complete analyses, in order to resolve the issue.
47. As a result of the above collaboration, on April 20, 2017, Tarion advised by letter to the Construction Receiver that it had determined that the Leslieville Project has been “substantially completed” within the meaning of the ONHWPA and that the applicable warranties under the ONHWPA apply with respect to the Leslieville Project. As a result, the Existing Leslieville Purchasers, New Leslieville Purchasers and the Condominium Corporation will receive the benefit of the warranty protections provided under the ONHWPA. A copy of the letter from Tarion is attached hereto as **Appendix “B”** to this Second Report.

2.6 DISCLOSURE DOCUMENTATION

48. In accordance with the disclosure requirements under the *Condominium Act* (Ontario), UC Leslieville had provided each Existing Leslieville Purchaser in 2011 with (i) a disclosure statement, (ii) budget statement for the one year period immediately following the registration of the proposed declaration, (iii) the proposed declaration, (iv) proposed by-laws and rules of the condominium corporation, (v) the proposed condominium management agreement, and (vi) the preliminary draft plan of the condominium (the “**Original Disclosure Documentation**”).
49. The Construction Receiver has reviewed the Original Disclosure Documentation, and with the assistance of the Construction Receiver’s Real Estate Counsel and other counsel, URI, UC Leslieville’s surveyor, and the proposed Condominium property manager, has prepared the Disclosure Documentation to reflect, among other things
 - a. the new circumstances of the Receivership Proceedings;
 - b. the Proposed Settlement, and related risks of dealing with an insolvent entity;
 - c. a revised draft plan of condominium which reflects, as a result of construction completed by UC Leslieville, fewer residential units (from 63

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originally down to 55), fewer visitor parking spots (from 16 down to 7) and the addition of 33 Bicycle Storage Units; and

- d. the right of UC Leslieville as the Declarant to have the option to require the Condominium to purchase the Geo-Thermal System for \$800,000, inclusive of HST.
50. The Construction Receiver seeks this Court's approval of the Disclosure Documentation for dissemination to Existing Leslieville Purchasers as well as New Leslieville Purchasers seeking to acquire Unsold Units.
 51. The Disclosure Documentation contains a requirement for a certificate to be executed by a chief financial officer or chief executive officer of the Declarant, UC Leslieville. There are currently no such officers at UC Leslieville. Accordingly, the Purchaser Package Approval Order provides that the Construction Receiver execute the required certificate on behalf of UC Leslieville without any personal liability on the part of the Construction Receiver or its officers or directors. Although given this authority to execute such certificates, the Purchaser Package Approval Order and the Settlement Approval Order expressly provide that the Construction Receiver is not a "declarant" within the meaning of the *Condominium Act* (Ontario).

2.7 "OPTING IN" TO THE PROPOSED SETTLEMENT

52. As described above, the procedure to "opt-in" to the Proposed Settlement is set out in the Settlement Notice Letter attached as **Schedule "A"** to the Purchaser Package Approval Order, which will be sent to each Existing Leslieville Purchaser in accordance with the Purchaser Package Approval Order.
53. In order for the Construction Receiver to complete each individualized Purchaser Information Package, including populating the form of New APS with purchaser names, original purchase price, Premium, new purchase price, deposit credits and upgrade information, the Construction Receiver prepared a schedule summarizing this information, which is attached hereto as ***Confidential Appendix "A"***. The Confidential Appendix was reviewed by the Ad Hoc Leslieville Purchasers Counsel, Terra Firma, and the Syndicate and approved by Ad Hoc Leslieville Purchasers Counsel and Terra Firma. As the schedule contains personal and commercially sensitive information, the Construction Receiver seeks to seal ***Confidential Appendix "A"***.
54. Following receipt of the Purchaser Information Package, each Existing Leslieville Purchaser will have until 5:00 pm ET on May 19, 2017 (the "**Opt-In Deadline**"), approximately a two-week period, to "opt-in" to the Proposed Settlement.
55. An Existing Leslieville Purchaser who wishes to "opt-in" to the Proposed Settlement must return to the Construction Receiver by the Opt-In Deadline fully executed copies of (i) the Opt-In Letter, (ii) its New APS and Acknowledgement, and (iii) the Tarion Addendum (the "**Opt-In Package**"). Additional

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documentation is required to be provided by Existing Leslieville Purchasers who are assignees of an Original Leslieville APS (“**Leslieville Assignees**”) (as described in the Settlement Notice Letter) as part of the Opt-In Package.

56. Existing Leslieville Purchasers who wish to view their Unit before opting-in to the Proposed Settlement will be invited to contact the Construction Receiver as soon as possible after receipt of the Settlement Notice Letter, to arrange for an opportunity to view the applicable Unit.

2.8 “OPTING OUT” OF THE PROPOSED SETTLEMENT

57. Each Existing Leslieville Purchaser who does not deliver a fully executed Opt-In Package to the Construction Receiver by the Opt-in Deadline will be deemed to have opted-out of the Proposed Settlement (each, an “**Opt-Out Leslieville Purchaser**”), and the applicable New APS executed by the Construction Receiver for and on behalf of UC Leslieville will be null and void.
58. On the Effective Date of the Settlement Approval Order, each Opt-Out Leslieville Purchasers’ Original Leslieville APS will be repudiated and deemed to be terminated, and each Opt-Out Leslieville Purchaser will have no recourse against any Property of the Debtors other than an unsecured claim against the estate of the Debtors.
59. In addition, Opt-Out Leslieville Purchasers (other than Leslieville Assignees, to the extent of deposit amounts that have not been paid to the applicable Leslieville Assignor, and therefore do not have a claim for such amounts) will retain only a right to make a claim:
 - a. against Tarion, in respect of the deposit monies paid under the Original Leslieville APS, up to \$20,000; and
 - b. against Travelers, in respect of any amounts paid under the Original Leslieville APS on account of deposits in excess of \$20,000, but excluding any deposits for upgrades.
60. The entitlement of an Opt-Out Leslieville Purchaser to the return of all or any part of deposit monies paid by such Opt-Out Leslieville Purchaser from Tarion and Travelers will be determined and processed by Tarion and Travelers, as applicable, and not the Construction Receiver. Any recovery of deposit monies paid by the applicable Opt-Out Leslieville Purchaser under the Original Leslieville APS will not include any monies paid on account of upgrades.

2.9 TREATMENT OF LESLIEVILLE ASSIGNORS & LESLIEVILLE ASSIGNEES

61. Based on the records of UC Leslieville, there are 16 Leslieville Assignees, all of which are represented by Ad Hoc Leslieville Purchasers Counsel.

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62. Through discussions with Ad Hoc Leslieville Purchasers Counsel, it became apparent that the reimbursement of Old Deposits made by Leslieville Assignees to Leslieville Assignors in order to obtain an assignment of the Original Leslieville APS varied. Based on information provided by Ad Hoc Leslieville Purchasers Counsel, the Construction Receiver understands that:
- a. Twelve (12) of the Leslieville Assignees have reimbursed their respective Leslieville Assignors (and/or paid UC Leslieville) the full amount of the Old Deposits paid under the Original Leslieville APS;
 - b. Two (2) of the Leslieville Assignees have paid the full amount of the Old Deposit paid under the Original Leslieville APS to a Deposit Holder to be held in trust pending closing of the Original Leslieville APS and to be paid to their respective Leslieville Assignors upon the closing of the Original Leslieville APS;
 - c. One (1) Leslieville Assignee has reimbursed his/her Leslieville Assignor \$59,000 of the \$59,900 Old Deposit paid under the Original Leslieville APS and paid \$1,000 to a Deposit Holder to be held in trust pending the closing of the Original Leslieville APS and to be paid to the Leslieville Assignor upon the closing of the Original Leslieville APS;
 - d. One (1) of the Leslieville Assignees has paid \$35,000 of the \$62,000 Old Deposit paid under the Original Leslieville APS to a Deposit Holder to be held in trust pending closing of the Original Leslieville APS and to be paid to his/her Leslieville Assignor upon the closing of the Original Leslieville APS. The \$27,000 balance of the Old Deposit paid under the Original Leslieville APS has not been paid by such Leslieville Assignee to either his/her Leslieville Assignor or to a Deposit Holder.
63. In order to participate in the Proposed Settlement, all Leslieville Assignees must provide evidence satisfactory to the Construction Receiver of payment of the amount of the Old Deposit to the Leslieville Assignor. The particular requirements are set out in the Settlement Notice Letter. For Leslieville Assignees and Leslieville Assignors who do not participate in the Proposed Settlement, the rights of such parties to assert a Tarion Deposit Claim against Tarion and an Excess Insurance Claim against Travelers are set out in the Settlement Approval Order.

2.10 COMPLETION OF CONSTRUCTION OF THE LESLIEVILLE PROJECT

64. Craft was introduced to the Settlement Parties as the proposed developer of the Leslieville Project by Terra Firma. Craft is a residential and commercial developer who has developed over 2.5 million square feet of residential and commercial uses to date.
65. If approved by this Court, the construction and development of the Leslieville Project will be completed within these Receivership Proceedings by Craft

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pursuant to the Craft Construction Contract and Craft Development Contract. Copies of the Craft Construction Contract (without schedules)³ and Craft Development Contract are attached as **Appendix “C”** and **Appendix “D”** to this Second Report, respectively.

66. The Craft Construction Contract contemplates that Craft will retain URI as its constructor and general contractor to complete the construction of the Leslieville Project. URI is a registered builder with Tarion and specializes in providing support services to the residential construction industry. Craft will also retain qualified consultants for independent quality assurance, and will complete the Leslieville Project for condominium registration. Craft’s current intention is to retain the pre-existing consultants for the Leslieville Project to the extent appropriate.
67. Under the Craft Construction Contract, Craft will have total control over all aspects of the construction and will be responsible for directing and supervising all work performed on site. The Construction Receiver will not be responsible for onsite supervision, review or certification of the construction work provided by Craft in respect of the Leslieville Project, but will receive written monthly progress reports from Craft. Further, the Construction Receiver will receive reports from the Project Monitor in connection with monthly draw requests.
68. Craft has agreed to complete the construction of the Leslieville Project for an all-in fixed construction contract price totaling \$5.35 million (exclusive of HST) (the **“Fixed Price”**), excluding work completed by Craft pursuant to approved and pre-funded Change Orders and costs related to the work and services in respect of the Geo-Thermal System (described in more detail in *Section 2.13 Geo-Thermal System*). The cost of the work under each approved Change Order is considered a “cost overrun” which is to be funded by Terra Firma under the TF Cost Overrun Agreement (described in more detail under *Section 2.12 - TF Cost Overrun Agreement*). The primary exclusion from the scope of the Fixed Price relates to work arising from **“Latent Defects”**.
69. Because the cost to rectify a Latent Defect is outside the scope of the Fixed Price and to be pre-funded by Terra Firma, significant negotiations were undertaken by Craft and Altus, with the assistance of the Construction Receiver, to delineate and refine what constitutes a “Latent Defect”. These discussions culminated in a schedule appended to the Craft Construction Contract (the **“Latent Defect Schedule”**). In addition, any condition not listed on the Latent Defect Schedule may still constitute a “Latent Defect” if such condition: (i) was not known by Craft on the date it entered into the Craft Construction Contract, (ii) was not discovered by Craft during its diligence process, and (iii) could not have been reasonably discovered by Craft during its diligence process.

³Due to size, a copy of the Craft Construction Contract (with schedules) will be filed with the Court and posted on the Construction Receiver’s website for stakeholders to review.

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70. Craft has estimated that Substantial Performance of the Work (as defined under the Craft Construction Contract) will take approximately eight (8) months from commencement of the construction work, but has an outside date of June 15, 2018 (the “**Outside Date**”), subject to extension as provided under the Craft Construction Contract. If Craft does not attain Substantial Performance of Work by the Outside Date, such event constitutes a Major Event of Default under the Craft Construction Contract and gives rise to remedies available to the Construction Receiver, including among other things, the termination of the Craft Construction Contract.
71. The full scope of the services agreed to be performed by Craft as the developer are outlined in the Craft Development Contract. Under the Craft Development Contract, Craft has agreed to perform (or cause to be performed) all of the work and services necessary to complete the development of the Leslieville Project, which include approval and registration of the Condominium in accordance with the requirements of applicable law, all Development Approvals, the Tarion Home Warranty Plan and each New APS as well as to market and sell all Unsold Units and close the sale of all of the Units (described as “**Development Services**” under the Craft Development Contract). The initial budget prepared by Craft estimated the cost under the Craft Development Contract to be \$945,500 (the “**Initial Development Budget**”). Under the terms of the Craft Development Contract, a budget increase of \$197,500 has been requested by Craft, which increases the Initial Development Budget to \$1,143,000. This increase has been approved by Terra Firma and is to be funded by Terra Firma pursuant to the TF Cost Overrun Agreement.
72. As part of the Development Services, Craft will negotiate development, servicing, site plan, and other similar agreements with the City and has agreed to fulfill the conditions under those agreements. These types of development agreements must be executed by the owner of the property (as opposed to the developer). As there are currently no officers of UC Leslieville, the Settlement Approval Order authorizes the Construction Receiver to execute such agreements for and on behalf of UC Leslieville without any liability on the part of the Construction Receiver or its officers or directors.
73. Craft’s total compensation set out in the Craft Development Contract is as follows (the “**Craft Compensation**”):
- a. a management fee of \$1.5 million consisting of:
 - i. \$375,000 (the “**Earned Management Fee**”) to be deferred until the Cash Collateral Release Date (defined below), which requires construction of the Leslieville Project to be completed; and
 - ii. \$1.125 million (the “**Deferred Management Fee**”) to be deferred and paid from Proceeds of Realization in accordance with a

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distribution waterfall set out in the Settlement Approval Order (the “**Waterfall**”) (discussed below);

- b. a deferred success fee of \$1 million (the “**Craft Success Fee**”) to be deferred and paid from Proceeds of Realization in accordance with the Waterfall; and
 - c. subject to the satisfaction of the Vacant Lot Conditions, as defined in the Craft Development Contract (which includes, among other things, the completion of the construction work and any *Planning Act* (Ontario) compliance), the transfer to Craft of the Vacant Lot or to such third party as Craft may direct.
74. Pursuant to the proposed Settlement Approval Order, as security for the payment of the Deferred Management Fee and the Craft Success Fee, Craft is granted fixed and specific charges on the Leslieville Project (the “**Craft Deferred Management Fee Charge**”) and the “**Craft Success Fee Charge**”, respectively).
75. Both the Craft Construction Contract and Craft Development Contract allow the Construction Receiver to terminate either or both of the agreements in the event of a “Major Event of Default” (as defined therein). In such circumstances, Craft will not be entitled to receive any portion of the Craft Compensation, and the repayment of the \$2 million of construction financing provided by Craft (described below) will be subordinated such that it will rank after the repayment of the Terra Firma secured obligations (as set out in the Waterfall in *Section 2.16 Proposed Distribution of Proceeds of Realization*).
76. In contrast, if a Funding Failure occurs and Craft is not in default under either of the Craft Construction Contract or Craft Development Agreement, the Construction Receiver may terminate both contracts with limited liability to Craft.
77. Each of the Craft Construction Contract and Craft Development Contract are subject to the satisfaction or waiver of certain conditions precedent, which include, the execution and delivery of each of the other Settlement Definitive Documents, the Court approval of the Purchaser Package Approval Order, Settlement Approval Order, the Beach Project Order, and the Receivership Administration Order (and such orders becoming Final Orders) certain arrangements with Tarion and Travelers with respect to administration of deposit claims and warranty coverage, the receipt by the Construction Receiver of the initial amount of the Craft Loan and the Craft Cash Collateral, the pre-funding by Terra Firma of all Cost Overruns identified prior to execution of the contracts, and the satisfaction of the Bankruptcy Condition.

2.11 ENGAGEMENT OF PROJECT MONITOR

78. As part of the Proposed Settlement, the Construction Receiver intends to engage Altus to act as the “Project Monitor” under the Craft Construction Contract and Craft Development Contract, and as an independent cost consultant. In this role,

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Altus will, among other things, verify payment applications made by Craft, and also provide recommendations with respect to Change Order Requests made by Craft, and in cases where such Change Order Requests involve a change in the contract price that is less than or equal to \$100,000, such recommendations by Altus will be final and binding on Craft, Terra Firma and the Construction Receiver.

79. Given the important role served by Altus in the Proposed Settlement, the Settlement Approval Order also seeks approval of the engagement of Altus by the Construction Receiver (the “**Project Monitor Engagement**”). A copy of the engagement letter of the Project Monitor is attached as **Appendix “E”** to this Report.

2.12 FINANCING COMPLETION OF CONSTRUCTION OF LESLIEVILLE PROJECT

80. The remaining construction and development of the Leslieville Project will be financed by Craft and the Syndicate on the terms and conditions set out in the Craft Loan Agreement and the Syndicate Construction Loan Agreement, respectively. Copies of the Craft Loan Agreement and the Syndicate Construction Loan Agreement are attached to this Report as **Appendix “F”** and **Appendix “G”**, respectively.
81. In the event construction and development costs exceed the financing provided by the Syndicate and Craft, Terra Firma has entered into the TF Cost Overrun Agreement with the Construction Receiver to fund all Cost Overruns and has absolutely, unconditionally and irrevocably guaranteed the completion of the construction and development of the Leslieville Project as contemplated by the Craft Construction Contract and the Craft Development Contract (*see Section 2.12 - TF Cost Overrun Agreement*).

Craft Loan Agreement

82. As a condition to the Proposed Settlement, Craft is to provide the Construction Receiver with a “first in” \$2 million construction loan, which is subordinate to the Syndicate Pre-Filing Secured Obligations. The key terms of the Craft Loan Agreement are set out below:
- a. **Initial Principal Amount:** \$2 million to be advanced as one single advance (the “**Craft Loans**”) to the Construction Receiver to be held by the Construction Receiver for payment of construction and development costs;
 - b. **Commitment Fee:** none;
 - c. **Interest:** 7% per annum;

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- d. **Additional Obligations:** additional obligations may be added to the loan amount, including: (i) Cost Overruns funded by Craft pursuant to the TF Cost Overrun Agreement and related fees (described in more detail below), and (ii) other amounts, costs or expenses funded by Craft pursuant to the terms of the Craft Construction Contract or Craft Development Contract that expressly provide thereunder to be loans funded by Craft;
- e. **Repayment:** the loan has no maturity date, but rather is repaid from Proceeds of Realization as and when such Proceeds of Realization become available for distribution by the Construction Receiver in accordance with the Waterfall;
- f. **Craft Construction Charge:** all obligations of the Construction Receiver under the Craft Loan Agreement are to be secured by a Court ordered charge over the Leslieville Project, and has the priority set out in the Waterfall;
- g. **Conditions Precedent:** The obligation of Craft to advance the Craft Loans is subject to certain conditions precedent, which are similar to the conditions precedent to the Craft Development Contract and the Craft Construction Contract. Given that Craft, as lender is also the contractor and developer, the conditions precedent to each disbursement of the Craft Loan by the Construction Receiver to pay construction and development costs are limited; and
- h. **Events of Default and Remedies:** Given that the borrower is the Construction Receiver, the Events of Default are limited in nature.

Syndicate Construction Loan Agreement

- 83. As a condition to the Proposed Settlement, the Syndicate has agreed to provide the Construction Receiver with a \$4.5 million construction loan (the “**Syndicate Construction Loan Agreement**”) to fund construction and development costs. The key terms of the Syndicate Construction Loan Agreement are set out below:
 - a. **Initial Principal Amount:** \$4.5 million to be advanced by multiple advances but only available once the Craft Loans have been fully advanced and disbursed by the Construction Receiver in payment of construction and/or development costs (the “**Syndicate Construction Loan**”);
 - b. **Purpose:** The Syndicate Construction Loan is required to fund the Fixed Price under the Craft Construction Craft, and the initially budgeted Development Costs. It is not to be used to fund any Cost Overruns;
 - c. **Commitment Fee:** a \$200,000 commitment fee is to be paid when the principal is repaid;

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- d. **Interest:** CIBC Prime Rate plus 5% per annum;
- e. **Additional Obligations:** additional obligations may be added to the loan amount, including Cost Overruns funded by the Syndicate (if Terra Firma defaults in funding) pursuant to the TF Cost Overrun Agreement and related fees (described in more detail below);
- f. **Repayment:** the loan has no maturity date, but rather is to be repaid from Proceeds of Realization as and when such Proceeds of Realization become available for distribution by the Construction Receiver in accordance with the Waterfall set out in the Settlement Approval Order;
- g. **Syndicate Charge:** all obligations of the Construction Receiver under the Syndicate Construction Loan Agreement are to be secured by a Court ordered charge over the Leslieville Project and the other property and assets of each of the Debtors, which is subordinate only to the Construction Receiver's Charge;
- h. **Initial Conditions Precedent:** The obligation of the Syndicate to advance any Syndicate Construction Loan is subject to certain conditions precedent, which are similar to the conditions precedent to the Craft Development Contract and the Craft Construction Contract (described above), with the additional requirement that the Craft Loans have been fully advanced and disbursed by the Construction Receiver in payment of construction and/or development costs;
- i. **Conditions Precedent to Each Advance:** Customary conditions precedent for the advance of construction loans including a "cost to complete" test to be completed by Altus and that all Cost Overruns have been fully funded in order to ensure sufficient funding is available to complete the Leslieville Project; and
- j. **Events of Default and Remedies:** Given that the borrower is the Construction Receiver, the Events of Default are limited in nature.

TF Cost Overrun Agreement

- 84. Pursuant to the TF Cost Overrun Agreement, Terra Firma has agreed to pre-fund all Cost Overruns to the Construction Receiver. In addition, Terra Firma has provided a guarantee of the completion of the Leslieville Project as contemplated by the Craft Construction Contract and the Craft Development Contract (whether by Craft or another contractor or builder) and is liable for all costs of such completion in excess of any un-advanced amounts of the \$4.5 million commitment under the Syndicate Construction Loan Agreement. All amounts funded by Terra Firma under the TF Cost Overrun Agreement bear interest at the rate of 16% per annum and are to be paid from Proceeds of Realization pursuant to the Waterfall in the same priority as the existing Terra Firma Indebtedness. A

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copy of the TF Cost Overrun Agreement is attached to this Report as **Appendix “H”**.

85. Pursuant to the TF Cost Overrun Agreement:
- a. If Terra Firma defaults in its obligation to fund any Cost Overrun, then first, Craft and second, the Syndicate have the option of funding such Cost Overrun. If either of such parties elects to fund such Cost Overrun, then, subject to applicable law, it is entitled to charge:
 - (i) a commitment fee in an amount of up to \$250,000; and
 - (ii) a deferred fee in the amount equal to 25% of such Cost Overrun.
86. Once interim occupancy of any of the Units occurs, Craft is obligated to fund any Cost Overruns that Terra Firma defaults in funding and, in such case, is entitled to the same commitment and deferred fees.
87. All Cost Overruns funded by Craft or the Syndicate together with such fees are to be paid from Proceeds of Realization. The amount of each such funded Cost Overrun and commitment fee are to be added to the Craft Loan or the Syndicate Loan, as the case may be, and each such deferred fee (referred to as a “**Craft COR Deferred Fee**” or a “**Syndicate COR Deferred Fee**”, respectively) is to be paid after Travelers and Tarion, but before Terra Firma in the priority provided in the Waterfall set out in the Settlement Approval Order. In order for such deferred fees to be paid in priority to unsecured creditors, the Settlement Approval Order grants both the Syndicate and Craft a fixed and specific charge on the Leslieville Project (the “**Syndicate COR Deferred Fee Charge**”) and the “**Craft COR Deferred Fee Charge**”, respectively) as security for the payment of all deferred fees.
88. If the Syndicate defaults in its obligation to fund any amount under the Syndicate Construction Loan Agreement, then Craft and Terra Firma have the option to fund such amounts (the “**Syndicate Default Funded Amounts**”). If either or both of such parties elect to fund, they are entitled to interest on such amount at the same rate as the Syndicate Construction Loans and are entitled to be repaid from the Proceeds of Realization on a *pari passu* and rateable basis with the Syndicate Construction Loans in accordance with the Waterfall set out in the Settlement Approval Order. To give effect to this structure, the Settlement Approval Order contemplates a fixed and specific charge being granted to Craft and Terra Firma on the Leslieville Project (the “**Syndicate Loan Default Charge**”) as security for the payment of all such Syndicate Default Funded Amounts.

2.13 GEO-THERMAL SYSTEM

89. Pursuant to the Craft Construction Contract, Craft is responsible for ensuring that the Leslieville Project has an appropriate and functioning heating and cooling

system that complies with all applicable Law, all Development Approvals and each New APS.

90. Currently, there is an existing geothermal heating/cooling system (the “**Geo-Thermal System**”) installed at the Leslieville Project, but the system is not yet commissioned. The Craft Construction Contract requires Craft to test and investigate the Geo-Thermal System in order to determine if the Geo-Thermal System is appropriate and functioning. If, in the opinion of Craft, acting reasonably, the Geo-Thermal System cannot be made operative and/or it is more prudent or cost effective to de-commission the Geo-Thermal System, then Craft will de-commission the Geo-Thermal System and install the Replacement HVAC System. Otherwise, Craft will commission, and if necessary repair, the Geo-Thermal System to bring it to a satisfactory working order. All repairs and commissioning costs (the “**Craft Geo-Thermal System Costs**”) are to be paid directly by Craft or funded by way of an additional Craft Loan to the Construction Receiver, with such funding entitled to (i) a first priority fixed and specific charge on any proceeds of the sale of the Geo-Thermal Unit(s) (the “**Geo-Thermal System Proceeds Charge**”), and (ii) a fixed and specific charge on the Leslieville Project with the priority set out in the proposed Settlement Approval Order (the “**Craft Geo-Thermal Charge**”).
91. If the Geo-Thermal System is commissioned, there are two possible sale options available to UC Leslieville: (i) a sale to the Condominium, or (ii) a sale to a third party company (a “**Geo-Thermal Company**”), as described in more detail below:

Geo-Thermal System Option 1: Sale to Condominium Corporation

92. The Condominium Corporation may be required to purchase from UC Leslieville, the Geo-Thermal Unit(s) including all or part of the Geo-Thermal System, at a cost of \$800,000 inclusive of HST (“**Geo-Thermal Purchase Price**”).
93. In order to purchase the Geo-Thermal Unit(s), including all or part of the Geo-Thermal System, the Condominium Corporation will either enter into or assume a loan, which may be classified as a green loan, arranged by UC Leslieville possibly with a lender or finance company chosen by UC Leslieville in its sole discretion, for the entire Geo-Thermal Purchase Price, and possibly land transfer tax (“**Green Loan**”). As of the date of this Report, the Loan has not been arranged, however, based on consultations by the proposed Condominium property manager with various financial institutions it is anticipated that the Loan may be on the following principal terms:
- a. **Term:** Five (5) years, commencing on or shortly following registration of the Condominium;
 - b. **Interest:** It is anticipated that the principal amount from time to time outstanding on the Green Loan shall bear interest at the rate equal to approximately five (5%) percent over the Government of Canada Bond

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Yield having approximately a ten (10) year term, calculated on the date being one (1) month prior to the date of the transfer of the Geo-Thermal Unit(s). In the event that the interest rate available is based on a fixed rate, it is presently anticipated that the annual rate of interest will be approximately 6.65% -7% per annum;

- c. **Amortization Period:** It is anticipated that the Green Loan will be based on an amortization period of between 20 – 25 years. At the discretion of UC Leslieville, the Green Loan may have a term and amortization period of ten (10) years; and
 - d. **Repayment:** The Green Loan will be closed for repayment.
94. It is currently anticipated by URI that, by utilizing the Geo-Thermal System instead of a conventional heating and cooling system, the savings in utility costs will be approximately equal to the annual cost of the Green Loan (principal and interest). Accordingly, if the Geo-Thermal System is installed in the Condominium and the Green Loan is arranged, it is anticipated that the estimated cost of utilities associated with heating and cooling, combined with the cost of repayment of the Loan, will be approximately equal to what the cost of utilities would have been for heating and cooling the Condominium and the residential unit, if a conventional energy system was utilized. The actual monthly Green Loan payments cannot be precisely determined at this time, as the prevailing interest rates and amortization period have not been set; however, based on consultations with the proposed Condominium property manager it is presently anticipated that the monthly Green Loan payments will be approximately \$6,000/month.
95. In addition, it will be a duty and obligation of the Condominium Corporation to obtain or assume the Green Loan and to execute and deliver all associated loan and security documents required by the Green Loan provider and UC Leslieville, to secure the Green Loan, including but not limited to a mortgage on title to the Geo-Thermal Unit(s).

Geo-Thermal System Option 2: Sale to Geo-Thermal Company

96. The Geo-Thermal Unit(s), including all or part of the Geo-Thermal System, may be conveyed to a Geo-Thermal Company. In such event, the Geo-Thermal Company will enter into an agreement with the Condominium Corporation requiring the Geo-Thermal Company to generate and supply heating and cooling to the Condominium at a rate, which is intended to fluctuate based on the rates of other utilities (the “**Geo-Thermal Energy Supply Contract**”). The Geo-Thermal Energy Supply Contract shall provide that the cost of supplying geo-thermal heating and cooling will be based on the consumption of geo-thermal energy by either the Condominium as a whole or the individual Units.

97. The two options are to be considered in connection with a marketing process (the “**Geo-Thermal System Marketing Process**”), such process having terms and conditions satisfactory to both Craft and the Construction Receiver, or as otherwise approved by the Court.

Replacement HVAC Option

At the date of this Report, it is uncertain if a Geo-Thermal System will be available for the Leslieville Project. As mentioned above, if the Geo-Thermal System cannot be made operative and/or it is more prudent or cost effective to de-commission the Geo-Thermal System, then Craft will de-commission the Geo-Thermal System and install a Replacement HVAC System. Accordingly, the Disclosure Documentation advises all purchasers that UC Leslieville reserves the right to provide heating and cooling to the Units through a Replacement HVAC System.

2.14 MARKETING OF UNSOLD UNITS

98. Units that are not sold to Existing Leslieville Purchasers (the “**Unsold Units**”) will be listed and sold on the market on an “as is where is” basis to New Leslieville Purchasers pursuant to a standard form purchase and sale agreement (the “**Standard Form Sale Agreement**”), the form of which is attached hereto as **Appendix “I”**.
99. Pursuant to the Craft Development Contract, Craft will be responsible for completing all marketing and related services for the Unsold Units in accordance with a Marketing Plan agreed to by Craft, Terra Firma, the Syndicate and the Construction Receiver or otherwise approved by the Court.
100. In this regard, the Construction Receiver has been advised by Craft that it will engage real estate brokerage firm, RE/MAX Hallmark Realty Limited, Brokerage (“**RE/MAX**”), as the listing agent for the Unsold Units (the “**Leslieville Listing Agent**”) to market and sell the Unsold Units. Craft has agreed to perform (or cause to be performed) the marketing services until the earlier of: (i) the sale and closing of all of the Unsold Units (including Excess Parking Units and Bicycle Storage Units), and (ii) six (6) months following the establishment of the Condominium under the *Condominium Act* (Ontario) (the last day of such six-month period, the “**Marketing End Date**”).
101. The proposed Settlement Approval Order contemplates approval of each sale transaction with a New Leslieville Purchaser pursuant to a Standard Form Sale Agreement (each transaction, a “**Subsequent Sale Transaction**”), provided that the purchase price for each Unsold Unit is not less than a pre-established minimum sales price (the “**Minimum Unit Price**”). The Construction Receiver has met with representatives of RE/MAX, Craft, and the Syndicate to determine the appropriate Minimum Unit Price for each Unit. The Minimum Unit Prices agreed to by the Settlement Parties are set out in a ***Confidential Appendix “B”*** to

this Second Report. As the schedule contains commercially sensitive information, the Construction Receiver seeks to seal **Confidential Appendix "B"**. In the Construction Receiver's view, the Minimum Unit Prices are fair and reasonable in light of current market conditions. Any reduction of any individual Minimum Unit Price must be approved by the Construction Receiver, the Syndicate, and Terra Firma or otherwise approved by the Court.

2.15 MARKETING OF RESIDUAL ASSETS – PARKING

102. Each Unit sold to an Opt-In Leslieville Purchaser or New Leslieville Purchaser, as applicable, will include a dedicated underground parking unit. As described above, the current draft plan of condominium contemplates that there will be up to eleven (11) Excess Parking Units.
103. As part of the Proposed Settlement, the Settlement Parties agreed to provide the Opt-In Leslieville Purchasers with a first opportunity to purchase an Excess Parking Unit. As there are only eleven (11) Excess Parking Units, Craft, with the assistance of the Construction Receiver, are currently developing a process to offer such Excess Parking Units to Opt-In Leslieville Purchasers and, if any remaining, to the New Leslieville Purchasers (the "**Excess Parking Unit Process**"). As of the date of this Report, the Excess Parking Unit Process is not yet finalized. If the Excess Parking Unit Process is finalized prior to the motion date, the Construction Receiver will file a supplementary report containing the particulars of the process and the proposed form of order for approval.

2.16 PROPOSED DISTRIBUTION OF PROCEEDS OF REALIZATION

104. Various Court ordered charges were necessary in order to give effect to the Proposed Settlement. The Court ordered charges proposed to be granted under the Settlement Approval Order are summarized below.
105. In favour of the Syndicate:
 - a. **Syndicate Charge:** This charge secures the \$4.5 million Syndicate Construction Loan to be provided by the Syndicate, together with any Cost Overruns funded by the Syndicate, and all applicable interest, fees, charges and costs (See *Section 2.12 - Syndicate Construction Loan Agreement* and *TF Cost Overrun Agreement*); and
 - b. **Syndicate COR Deferred Fee Charge:** This charge secures the deferred fee that the Syndicate is entitled to charge in connection with any Cost Overrun funded by it (see *Section 2.12 - TF Cost Overrun Agreement*);
106. In favour of Craft:
 - a. **Craft Charge:** This charge secures the \$2 million construction loan to be provided by Craft, together with any Cost Overruns funded by Craft, all

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applicable interest, fees, charges, and costs (see *Section 2.12 - Craft Loan Agreement* and *TF Cost Overrun Agreement*);

- b. **Craft Geo-Thermal Charge:** This charge secures the Craft Geo-Thermal Costs (whether paid directly by Craft or funded by way of increased Craft Loans) (see *Section 2.13 Geo-Thermal System*);
- c. **Craft Deferred Management Fee Charge:** This charge secures the \$1.125 million Deferred Management Fee payable to Craft under the Craft Development Contract (see *Section 2.10 Completion of Construction of the Leslieville Project*);
- d. **Craft Success Fee Charge:** This charge secures the \$1 million Success Fee payable Craft under the Craft Development Contract (see *Section 2.10 Completion of Construction of the Leslieville Project*);
- e. **Craft COR Deferred Fee Charge:** This charge secures the deferred fee that Craft is entitled to charge in connection with any Cost Overrun funded by it (see *Section 2.12 - TF Cost Overrun Agreement*).

107. In favour of Terra Firma,

- a. **the TF Cost Overrun Agreement Charge:** This charge secures all amounts funded by Terra Firma under the TF Cost Overrun Agreement together with all interest, costs and other charges (see *Section 2.12 - TF Cost Overrun Agreement*);

108. In favour of Tarion,

- a. **the Tarion Warranty Charge:** This charge secures the cost of warranty obligations under the ONHWPA that may be required to be honoured by Tarion in connection with the Leslieville Project and will be in an amount equal to the difference between \$1.1 million and the amount available under the Tarion Bond provided by Travelers at the time of distribution of Proceeds of Realization from the Leslieville Project (see *Section 2.5 Tarion Warranty Corporation Coverage*);
- b. **the Tarion Residual Charge:** This charge secures the cost of warranty obligations under the ONHWPA that may be required to be honoured by Tarion in connection with the Leslieville Project beyond \$1.1 million.⁴

109. In favour of the Opt-In Leslieville Purchasers,

⁴ Tarion requested a subordinate court ordered charge be granted in its favour to cover potential claims from purchasers that exceed \$1.1 million. Given the deep subordination in the Waterfall of the Tarion Residual Charge, the Construction Receiver does not anticipate any material recovery under this charge. The cooperation of Tarion was critical to the success of the Proposed Settlement as it was a condition precedent that such warranty coverage be provided to the Existing Leslieville Purchasers and New Leslieville Purchasers. Accordingly, the Construction Receiver recommends the granting of the Tarion Residual Charge in the circumstances.

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- a. **the Purchasers' Premium Charge:** This charge secures an amount equal to the \$255,000 increased purchase price paid by each Opt-In Leslieville Purchaser pursuant to his/her New APS. (see *Section 2.4 Treatment of Each Original Leslieville APS and Each New APS*).
110. Following completion of construction and condominium registration of the Leslieville Project, closings of the Units will occur and Proceeds of Realization will be generated. The Settlement Approval Order sets out the Waterfall for such Proceeds of Realization as follows:
- a. **first**, to the Construction Receiver, a reserve amount for all accrued but unpaid fees and disbursements of the Construction Receiver and its counsel, and the fees and disbursements estimated by the Construction Receiver as required to complete the Receivership Proceedings;
 - b. **second**, to the Administrative Agent, the amount of the Syndicate Construction Loan Obligations (including, for certainty, any Syndicate COR Funded Amount and any Syndicate COR Commitment Fee) secured by the Syndicate Construction Charge;
 - c. **third**, to the Administrative Agent, the amount of the Construction Receiver's obligations owing to the Syndicate for monies borrowed pursuant to the Construction Receiver's Borrowings Charge;
 - d. **fourth**, to the Construction Receiver, the amount of the Holdback Reserve and the Priority Realty Tax Claims Reserve (see *Section 5.8 Treatment of Construction Lien Claimants under Settlement Approval Order and Beach Project Order* and see *Section 5.1 Realty Taxes*);
 - e. **fifth**, to the Administrative Agent, the amount of the Syndicate Pre-Filing Secured Obligations;
 - f. **sixth**, provided there is no Major Event of Default under the Craft Construction Contract or the Craft Development Contract, (i) the amount of the Craft Construction Secured Obligations (including, for certainty, any Craft COR Funded Amount and any Craft COR Commitment Fee) secured by the Craft Construction Charge, and (ii) the Craft Geo-Thermal Costs and Geo-Thermal Loan secured by the Craft Geo-Thermal Charge, and (iii) the Deferred Management Fee secured by the Craft Deferred Management Fee Charge;
 - g. **seventh**, to Travelers, (i) the amount of monies paid by Travelers in respect of Excess Deposit Insurance Claims, (ii) as cash collateral, an amount reasonably estimated by Travelers, and approved by the Construction Receiver at the time of distribution, with respect to any remaining potential Excess Deposit Insurance Claims in connection with any Original Leslieville APS, (iii) the amount of monies paid by Travelers to Tarion with respect to Tarion Deposit Claims pursuant to the Tarion

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Bond, and (iv) as cash collateral, an amount equal to the then outstanding Tarion Bond Amount. For certainty, the foregoing amounts shall be calculated taking into account any then remaining Travelers Cash Collateral⁵;

- h. **eighth**, to Tarion, as cash collateral in an amount equal to the Tarion Warranty Charge Amount at the time of distribution to Tarion as security for its warranty obligations under the ONHWPA to the Opt-In Leslieville Purchasers, the New Leslieville Purchasers and the Condominium Corporation⁶;
- i. **ninth**, provided there is no Major Event of Default under the Craft Construction Contract or the Craft Development Contract, to Craft, the amount of the Craft Success Fee secured by the Craft Success Fee Charge;
- j. **tenth**, *pari passu* and rateably, to (i) Craft, in the aggregate amount of all Craft COR Deferred Fees, and (ii) the Syndicate, in the aggregate amount of all Syndicate COR Deferred Fees, if applicable;
- k. **eleventh**, to Terra Firma, in an amount not exceeding the sum of (i) \$6.5 million on account of the Terra Firma Indebtedness, and (ii) the aggregate of all Cost Overruns funded by Terra Firma secured by the TF Cost Overrun Agreement Charge;
- l. **twelfth**, *pari passu* and rateably to (i) Terra Firma (up to the remaining Terra Firma Indebtedness, if any) and (ii) the Opt-In Leslieville Purchasers (for the aggregate amount of the Premiums paid by all Opt-In Leslieville Purchasers pursuant to the New APS), with such amount allocated to the Opt-In Leslieville Purchasers to be distributed on a *pari passu* and rateable basis amongst all Opt-In Leslieville Purchasers;
- m. **thirteenth**, to Tarion and/or the Construction Receiver, as cash collateral in an amount equal to the Tarion Residual Reserve Amount at the time of distribution to Tarion as security for its obligations under the ONHWPA to the Opt-In Leslieville Purchasers, the New Leslieville Purchasers and the Condominium Corporation. The cash collateral is to be held by Tarion and/or the Construction Receiver upon terms and conditions to be agreed upon by Tarion, the Construction Receiver, Terra Firma, the Syndicate and Craft or as otherwise ordered by the Court as security for the obligations described in this paragraph; and

⁵ The cash collateral to be paid to Travelers pursuant to the Settlement Approval Order is to be held by Travelers upon terms and conditions to be agreed upon by the Construction Receiver, Terra Firma, the Syndicate and Craft or as otherwise ordered by the Court as security for the obligations described in such subparagraphs.

⁶ Similar to Travelers, the cash collateral to be paid to Tarion pursuant to the Settlement Approval Order is to be held by Tarion upon terms and conditions to be agreed upon by the Construction Receiver, Terra Firma, the Syndicate and Craft or as otherwise ordered by the Court as security for the obligations described in such subparagraph.

- n. **the balance**, if any, to unsecured creditors of the Debtors on a pro-rata basis, such claims to be determined, if necessary, by further order of the Court.

2.17 BANKRUPTCY OF DEBTORS

111. At the request of Terra Firma and Craft, each of the Craft Construction Contract, the Craft Development Contract, the TF Cost Overrun Agreement, the Craft Loan Agreement and the Syndicate Construction Loan Agreement are subject to the condition precedent that each of the Debtors be adjudged bankrupt under the BIA (the “**Bankruptcy Condition**”) such that priorities of statutory claims will be subject to the distribution regime of the BIA.
112. To satisfy the Bankruptcy Condition, the Receivership Administration Order authorizes the Construction Receiver to assign the Debtors into bankruptcy. Counsel to Terra Firm has advised the Construction Receiver that if such relief is not granted by the Court that it will bring bankruptcy applications against the Debtors to satisfy the Bankruptcy Condition.
113. It is contemplated that the Construction Receiver will make arrangements with a trustee in bankruptcy proposed by Terra Firma (the “**Bankruptcy Trustee**”) once appointed to continue investigations into the Residual Closing Monies (discussed below) that are currently being held by Harris Sheaffer. Any recovery from such Residual Closing Monies (net of costs) would be distributed in accordance with the Waterfall.
114. All three Debtors are insolvent within the meaning of the BIA. In the Construction Receiver’s view the relief sought is appropriate in order to satisfy the Bankruptcy Condition, as it is a condition precedent to the Proposed Settlement. The assignment by the Construction Receiver is more efficient and less costly than Terra Firma bringing separate applications for bankruptcy orders to achieve the same result.

2.18 CONDITIONS PRECEDENT TO PROPOSED SETTLEMENT

115. The Proposed Settlement is conditional upon at least 40% of the Existing Leslieville Purchasers the “**Opt-In Threshold**”) opting into the Proposed Settlement by the Opt-In Deadline and not rescinding their New APS by the Ultimate Rescission Bar Date, which is ten (10) days after the Opt-In Deadline. The proposed Settlement Approval Order will only become effective upon the filing by the Construction Receiver with the Court of a certificate confirming the satisfaction or waiver by the Syndicate, Terra Firma, Craft and the Ad Hoc Leslieville Purchasers of the Opt-In Threshold within 2 Business Days following the Ultimate Rescission Bar Date (or such later date as may be agreed by those parties).

116. In addition, each of the Settlement Definitive Documents is by its terms subject to the satisfaction or waiver of the conditions precedent as summarized above under the applicable sections in this Second Report.

2.19 RECOMMENDATION

117. In light of the foregoing, the Construction Receiver recommends that this Court approve both the Purchaser Package Approval Order and the Settlement Approval Order.
118. The Proposed Settlement contains several important features that act as safeguards for the estate from cost overages arising from construction of the Leslieville Project:
- a. First, the Fixed Price nature of the Craft Construction Contract requires Craft to fund any hard cost overages relating to construction with limited exceptions;
 - b. Second, Craft has agreed to fund \$2,000,000 of the construction and development costs (see *Section 2.12 - Craft Loan Agreement*). This loan is to be fully pre-funded and disbursed prior to any advances under the Syndicate Construction Loan Agreement and is to be repaid from Proceeds of Realization pursuant to the Waterfall after the Syndicate Pre-Filing Secured Obligations have been repaid in full. In addition, none of the Craft Compensation except for the Earned Management Fee is payable until after the Syndicate Pre-Filing Secured Obligations have been repaid in full.
 - c. Third, pursuant to the TF Cost Overrun Agreement entered into by Terra Firma and the Construction Receiver, any cost overage above the Fixed Price or the development budget is to be funded by Terra Firma with the ability for Craft or the Syndicate to provide such funding in the event Terra Firma fails to do so (see *Section 2.12 - TF Cost Overrun Agreement*); and
 - d. Fourth, Craft has also agreed to provide the Construction Receiver with cash collateral in the amount of \$535,000 (“**Craft Cash Collateral**”) as security for Craft’s performance of its obligations under the Craft Construction Contract and Craft Development Contract. Provided Craft is not in default under either agreement, this security will be released only after certain conditions are satisfied, which include the completion of construction of the Leslieville Project, among others (the “**Cash Collateral Release Date**”). Pursuant to the terms of the Craft Development Contract, Craft is entitled to receive interest at the rate of 7% per annum on such cash collateral, which interest is to be paid from Proceeds of Realization in the same priority as the loans under the Craft Loan Agreement.

3.0 BEACH PROJECT

3.1 BACKGROUND

119. The Beach Project is located between Edgewood and Hemlock Avenues near east Toronto's Beach neighbourhood. Based on the current lot configuration, the Beach Project comprises thirty-three (33) freehold homes, consisting of thirty-two (32) semi-detached homes and one (1) detached home.
120. Of the thirty-three (33) homes, twenty five (25) have been fully constructed and the sale of these homes was completed in 2014 and 2015.
121. Currently, there are eight (8) semi-detached homes⁷ (the "**Beach Homes**") that remain unbuilt. Six (6) of the eight (8) Beach Homes to be constructed have been pre-sold to Existing Beach Purchasers pursuant to an Original Beach APS. Five (5) Beach Homes were pre-sold in 2011 and 2012, prior to any construction commencing at the Beach Project, with the final Beach Home being pre-sold in August 2015.
122. The registered owner of the Beach Project unsold lands is UC Leslieville⁸, while UC Beach is the project developer and the Vendor under each Original Beach APS.
123. The development of the Beach Project was authorized by the City pursuant to the terms of a Consent Agreement between UC Leslieville and the City dated July 27, 2012. UC Beach has provided the City with financial security in the form of letters of credit issued by CIBC totaling \$872,074.07 to cover (i) UC Beach's obligations to the City in respect of the installation of municipal services, tree planting, among other things, (ii) Toronto Hydro Electric System.⁹
124. Similar to the Leslieville Project, the Construction Receiver understands that no construction work has been done at the Beach Project since September 2015. In contrast to the Leslieville Project, the 8 lots remaining at the Beach Project as at the Appointment Order were in the very early stages of construction, ranging

⁷In March 2015, the Committee of Adjustment of the City rendered a Notice of Decision allowing for a minor variance which effectively authorized the number of homes to be constructed to increase from thirty-three (33) to thirty-five (35), consisting of thirty-four (34) semi-detached and one (1) detached home. However, UC Beach has not severed the lots to reflect this decision and, in August 2015, entered into an Original Beach APS for one of the remaining lots pursuant to the original thirty-three (33) home configuration.

⁸UC Leslieville owns 100% of 4 lots, and 99.999% of the remaining 4 lots. The remaining 0.001% interest is held by UC Beach.

⁹The Construction Receiver has held preliminary discussions with the City in respect of the nature of UC Beach's obligations and a potential action plan to have the letters of credit released. Based on the Construction Receiver's discussions with City staff on the work left to complete, it appears that the City may be over-secured. A proposed purchaser of the Beach Homes will have to address the letters of credit. The Craft Development Contract provides for Craft's assistance in that regard.

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from raw land, to foundations only, to foundations with partial framing. Recently, the Construction Receiver arranged for the removal of the framing as it posed a safety risk.

3.2 TREATMENT OF EXISTING BEACH PURCHASERS

125. A total of five (5) Existing Beach Purchasers and one (1) assignor are represented by Ad Hoc Beach Purchaser Counsel in these Receivership Proceedings. Accordingly, one Existing Beach Purchaser who is an assignee of an Original Beach APS remains unrepresented.
126. The following table summarizes the aggregate amount of payments made by the Existing Beach Purchasers to the Debtors in respect of purchase price deposits and upgrades deposits based on the books and records of the Debtors:

Municipal Address	Deposits Paid	Upgrades Paid	Total
21 Hemlock Avenue	\$ 69,991.00	\$ -	\$ 69,991.00
3 Vince Avenue	74,991.00	18,155.34	93,146.34
33 Vince Avenue	95,000.00	29,307.05	124,307.05
34 Vince Avenue	100,000.00	-	100,000.00
36 Vince Avenue	109,895.00	-	109,895.00
37 Hemlock Avenue	224,639.33	-	224,639.33
Total	\$ 674,516.33	\$ 47,462.39	\$ 721,978.72

127. Generally, Existing Beach Purchasers made deposits which totaled 10% of the gross purchase price set out in their Original Beach APS.
128. The Construction Receiver notes that in connection with one Original Beach APS executed in 2015 (the “**2015 Beach APS**”), the deposit in the amount of \$224,639.33 was not made to UC Beach in cash by the Existing Beach Purchaser. The Construction Receiver is advised by such Ad Hoc Beach Purchaser’s Counsel that the deposit amount represented an “in-kind” payment on account of monies owed by UC Beach to the Existing Beach Purchaser. The Construction Receiver has requested but not received further information in respect of this transaction.
129. Other than in respect of the 2015 Beach APS, deposits (inclusive of upgrade deposits) made in respect of each Beach Home ranged from \$69,991 to \$109,895, with the average deposit being approximately \$100,000. Pursuant to ONHWPA, freehold development purchaser deposits are protected by Tarion up to a maximum of \$40,000 per unit. Deposits paid by Existing Beach Purchasers in excess of \$40,000 (the “**Excess Deposits**”) are not insured. Excess Deposits paid by the Existing Beach Purchaser(s) for their respective Beach Home range from \$29,991 to \$69,895, exclusive of the “in-kind” deposit in respect of the 2015 Beach APS.
130. In addition, Existing Beach Purchasers have paid UC Beach, in advance, for upgrades totaling approximately \$47,000 with respect to two Beach Homes.

Based on the Construction Receiver's review, these payments appear to have been utilized by the Debtors in the construction of the Beach Project, and do not appear to be subject to any insurance for upgrades and range from \$18,155.34 to \$29,307.05 per Beach Home.

3.3 REALIZATION STRATEGY

131. Unlike the Leslieville Project which is substantially complete, little work has been done on the Beach Homes other than foundations and initial framing (with such framing being removed in light of safety concerns). The Construction Receiver canvassed both the Syndicate and Terra Firma with respect to the availability of a settlement with respect to the Beach Project, however, neither were prepared to advance monies to complete the Beach Project, given the very early stages of construction, the potential need and costs of tearing down and replacing the existing foundation structures, and the extended period of time it would take to complete construction.
132. Further, the Settlement Parties were not prepared to enter into the Proposed Settlement without the condition that the Construction Receiver repudiate each Original Beach APS, and sell the Beach Homes "as is where is" (the "**Beach Lots**").
133. Given the initial stage of construction, the likely costs of completion, the length of time for completion, the lack of support from Terra Firma and the Syndicate that the sale of the Beach Lots are a part of the Settlement Proposal, the Construction Receiver has concluded that it is incapable of performing the obligations under each Existing Beach APS. Accordingly, as part of the Beach Project Order, the Construction Receiver seeks authority to repudiate each Original Beach APS and authority to sell the Beach Lots on an "as is where is" basis free and clear of all rights under the Original Beach APS.
134. Construction Receiver's Independent Counsel has reviewed each Original Beach APS and confirmed that each agreement contains a subordination provision in favour of mortgage and/or construction financing (the "**Subordination Clause**") and a disclaimer of interest in land provision (the "**Property Interest Waiver**"). The Subordination Clause and the Property Interest Waiver are set out below:

Section 13 of Schedule "A":

The Purchaser hereby acknowledges the full priority of any mortgage or construction financing arranged by the Vendor and/or secured by the Real Property over his interest as Purchaser for the full amount of the said mortgage or construction financing, notwithstanding any law or statute to the contrary and agrees to execute all acknowledgements or postponements required to give full effect thereto.

Section 34 of Schedule “A”:

The Purchaser covenants and agrees that it will at no time register or attempt to register this Agreement on title to the Real Property by way of caution, deposit, assignment or in any way whatsoever, and it is expressly agreed by all parties hereto that any such registration or attempt by the Purchaser or anyone acting for or through him shall constitute an event of default under this AgreementThe Purchaser acknowledges that notwithstanding any rule of law to the contrary that by executing this Agreement he has not acquired any equitable or legal interest in the Dwelling or the Real Property.

135. Construction Receiver’s Independent Counsel advised Ad Hoc Beach Purchaser Counsel that the Beach Purchasers were not included in the Proposed Settlement by letter dated April 7, 2017, a copy of which is attached as **Appendix “J”**.

3.4 REQUEST FOR PROPOSALS TO REAL ESTATE BROKERS

136. As part of the Construction Receiver’s efforts at the outset of the Receivership Proceedings to develop an asset realization plan, on July 21, 2016, the Construction Receiver sent a request for proposals (the “**RFP**”) to five real estate brokers to submit a proposal for the sale of the Leslieville Project and the Beach Project. The deadline for proposals was August 3, 2016. A copy of the RFP is attached hereto as **Appendix “K”**.
137. Four brokers submitted proposals under the assumption that both Projects would be listed (the “**Proposals**”). As a result of the Terra Firma Motion and developing settlement discussions among stakeholders with respect to the Leslieville Project, the RFP process was suspended.
138. In October 2016, settlement discussions among the Leslieville stakeholders were still continuing. As a result, the Construction Receiver asked the four brokers who had previously submitted Proposals to update their Proposals assuming that only the Beach Lots were available to be marketed and sold (the “**Updated Proposals**”). The Construction Receiver reviewed the Updated Proposals and held several follow-up discussions with the proposed brokers to clarify certain aspects of their Updated Proposals, including marketing approach, estimated valuation, overall timing and commission structure.
139. While the settlement discussions were ongoing, the Construction Receiver received an unsolicited offer from a potential purchaser in respect of the Beach Lots (the “**Excluded Party**”).
140. The Construction Receiver prepared a summary of the Updated Proposals (the “**Proposal Summary**”), which is attached hereto as **Confidential Appendix “C”**.

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The Proposal Summary contains confidential and commercially sensitive information provided by each real estate broker, including the estimated value of the Beach Lots. If the Proposal Summary is not sealed, potential bidders could have access to the information that could negatively impact the proposed Beach Sale Process.

141. The Construction Receiver reviewed the Updated Proposals of each real estate broker and determined that the proposal from the Beach Listing Agent was most favourable. This determination was based on several factors, including:
 - a. the Beach Listing Agent is one of the world's largest real estate services firms, with significant local presence, and national and global reach;
 - b. the Beach Listing Agent team has ample experience and knowledge, including significant experience with distressed property sales in court supervised proceedings;
 - c. the Beach Listing Agent has extensive experience with infill transactions in the Greater Toronto Area;
 - d. the Beach Listing Agent's commission structure is competitive, and takes into account reduced commission in the event the offer from the Excluded Party is ultimately the successful bid; and
 - e. the Beach Listing Agent's responsiveness and significant knowledge of the Beach Project and the market generally.
142. The Construction Receiver discussed this recommendation with the Settlement Parties, who unanimously approved the Construction Receiver's recommendation to retain the Beach Listing Agent.
143. After obtaining approval by the Settlement Parties, the Construction Receiver, with the assistance of the Construction Receiver's Independent Counsel, engaged in negotiations and finalized a listing agreement for the Beach Lots (the "**Beach Listing Agreement**"), a copy of which is attached hereto as **Appendix "L"**.
144. The key terms of the Beach Listing Agreement are summarized as follows:
 - a. the Beach Listing Agent will be the exclusive listing brokerage for six (6) months unless the Beach Listing Agreement is otherwise terminated in accordance with the terms therein (the "**Listing Period**");
 - b. in the event that a sale is completed and closed during the Listing Period or during a 120 day holdover period, a commission equal to the amount of three percent (3.00%) of the purchase price for each of the Beach Lots will be payable to the Beach Listing Agent; and

c. in the event that the Excluded Party is the successful purchaser of the Beach Lots, a commission equal to three percent (3.00%) of the next highest bid will be payable to the Beach Listing Agent.

145. In light of the foregoing, the Construction Receiver is of the view that the engagement of the Beach Listing Agent as listing agent will be beneficial to the estate and its stakeholders generally and to the efforts to maximize realizations from the Beach Lots, and recommends this Court approve the Beach Listing Agreement.

3.5 PROPOSED BEACH SALE PROCESS

146. A summary of the recommended Beach Sale Process is attached as Schedule “A” to the Beach Listing Agreement and is summarized below. The proposed Beach Sale Process is expected to be completed within a 14-week timeframe and can be broken down into two separate phases.

Beach Sale Process Summary	
<p>Phase 1 – Solicitation and Marketing Process (Minimum 6 Weeks)</p>	<p>Within the first two (2) weeks, the Beach Listing Agent will begin to implement a proposed marketing plan (the “Beach Marketing Plan”). Under the Marketing Plan, the Beach Listing Agent will:</p> <ol style="list-style-type: none"> 1. List the Beach Lots for sale on the Multiple Listing Service (“MLS”) to be sold on an “as is, where is” basis; 2. Prepare a preliminary information memorandum (the “Brochure”). Such Brochure, in draft form will be provided to the Construction Receiver and the Construction Receiver shall provide amendments and subsequent approval to the Brochure prior to the Beach Listing Agent disseminating to the market and prior to posting on MLS. The Beach Listing Agent shall distribute the Brochure to its extensive client database and create a website dedicated to the Beach Lots, providing access to the Brochure and confidentiality agreement (also to be approved by the Construction Receiver); 3. Disseminate the following to prospective bidders: the Brochure and confidentiality agreements (to be made available online, with printed copies available upon request); and 4. Market the Beach Lots utilizing:

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	<p>a. a digital/web-based marketing strategy, and</p> <p>b. a traditional marketing strategy, such as Globe and Mail and Novae Res Urbis advertisements and a “For Sale” sign installed at a strategic location on one of the Properties.</p>
<p>Phase 2 – Bid Review, Negotiations & Closings</p> <p>(Approximately 8 weeks)</p>	<p>The Beach Listing Agent will facilitate the offer solicitation process, promote competitive offers, and provide guidance to qualified buyers and the Construction Receiver. Bids are to be delivered to the downtown Toronto office of the Beach Listing Agent on the bid date, after an initial three-four week marketing period, which bid will include a mark-up of the form of purchase and sale agreement provided to potential bidders. The Beach Listing Agent, in conjunction with the Construction Receiver, will assess all submitted bids to determine either the successful bid, or whether additional negotiations are required.</p> <p>The Beach Listing Agent will work closely with the Construction Receiver to coordinate the transaction and assist the successful bidder (to the extent reasonable) with any due diligence required. The Beach Listing Agent shall also assist the Construction Receiver and its counsel (to the extent reasonable) with the closing process.</p>

147. The Construction Receiver recommends that this Court approve the Beach Sale Process, for the following reasons:
- a. the Beach Marketing Plan provides the Beach Lots with significant exposure to the marketplace, with sufficient time for offers to be prepared and submitted;
 - b. the Beach Sale Process allows for an efficient, transparent and competitive bidding process; and
 - c. the Settlement Parties have approved the proposed Beach Sale Process;

4.0 RIVERDALE PROJECT

4.1 BACKGROUND

148. The Riverdale Project is located on Howie and Boulton Avenues, in east Toronto’s Riverdale neighbourhood.

149. The Riverdale Project consists of forty-two (42) freehold townhome units and a common elements condominium corporation. The sale of the townhome units to

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purchasers (the “**Riverdale Purchasers**”) were all completed in late April to early May 2016, prior to the date of the Appointment Order.

150. The registered owner of the Riverdale Project was UC Leslieville. UC Riverdale was the Project developer and the Vendor under the agreements of purchase and sale with the Riverdale Purchasers (each, a “**Riverdale APS**”).
151. To facilitate the Riverdale Project closings, CIBC bonded off lien claims by paying the lien amounts into Court. These amounts are included as part of the Syndicate’s outstanding loan balance discussed in Section 5.2 of this Report.
152. Although construction of the Riverdale Project had been completed, the City held, as at the date of the Appointment Order, an aggregate of \$637,796 in letters of credit issued by CIBC to support UC Riverdale’s outstanding obligations to the City in respect of municipal works, streetscaping, urban forestry and parks, among other things.¹⁰
153. The closing documentation for the Riverdale Project sales was prepared by the Debtors’ solicitors, Harris Sheaffer LLP (“**Harris Sheaffer**”). Total closing proceeds, less costs and HST of \$18,668,456.18, were remitted to CIBC in respect of the Debtors’ loan obligations to the Syndicate. Harris Sheaffer continues to hold monies related to these closings, totaling \$2,976,772.41, plus accrued interest, that the Construction Receiver understands is being held on account of the HST portion of proceeds collected from Riverdale Purchasers (the “**Residual Closing Monies**”).
154. The Construction Receiver was investigating the circumstances and the terms and conditions pursuant to which the Residual Closing Monies are retained by Harris Sheaffer and whether the Residual Closing Monies are subject to a true trust in favour of the Canada Revenue Agency (“**CRA**”) and how such monies may be disbursed. Counsel to Terra Firma has expressed its interest in continuing such investigations with the assistance of the Bankruptcy Trustee, if appointed.
155. On April 20, 2016, shortly prior to the dates of the Riverdale Project closings, the CRA issued a Notice of Reassessment to HST registrant Bay/Stadium LP (the Debtors’ corporate parent) in respect of its August 2015 reporting period (the “**August 2015 Reassessment**”). The Construction Receiver understands that the HST account in question relates to the Riverdale Project.

¹⁰The Construction Receiver has held preliminary discussions with the City in respect of the nature of UC Riverdale’s obligations and a potential action plan to have the letters of credit released. To date, the letters of credit outstanding have been reduced by \$175,836. The current amount of letters of credit outstanding in respect of the Riverdale Project is \$461,960. Based on the Construction Receiver’s discussions with City staff on the work left to complete, it appears that the City may be over-secured. However, further follow up in terms of a plan of action to have the work completed, and the letters of credit released, is required.

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156. The August 2015 Reassessment statement indicates an amount owing of \$4,406,709.57 calculated as \$4,359,030.00 due pursuant to the audit of the August 2015 reporting period, plus arrears interest of \$45,186.65, and a prior balance owing of \$2,492.92.
157. On June 27, 2016, CRA issued an additional Notice of Assessment in respect of Bay/Stadium LP's April 2016 reporting period (the "**April 2016 Assessment**"), which covered the time period of the bulk of the Riverdale Project closings. The April 2016 Assessment statement indicates an amount owing of \$7,355,286.66 calculated as (i) \$2,904,261.30 (which represents HST filed as owing in respect of the April 2016 reporting period), plus (ii) arrears interest of \$10,731.49, plus (iii) a prior balance owing of \$4,440,293.87 (which is the balance owing under the August 2015 Reassessment plus additional interest).
158. The Construction Receiver retained MNP LLP, the Debtors' and Bay/Stadium LP's tax advisors, to review the matter and prepare a Notice of Objection, which was filed by the Construction Receiver with CRA on July 19, 2016.¹¹
159. On July 23, 2016, the Construction Receiver received a Notice of Assessment dated July 18, 2016 from CRA in respect of Bay/Stadium LP's May 2016 reporting period (the "**May 2016 Assessment**"). The May 2016 Assessment statement indicates an amount owing of \$7,439,908.77 calculated as (i) \$63,336.00 (which represents HST filed as owing in respect of the May 2016 reporting period), plus (ii) arrears interest of \$155.93, plus (iii) a prior balance owing of \$7,376,416.75 (which is the balance owing under the April 2016 Reassessment plus additional interest).
160. On August 17, 2016, CRA issued a letter to Bay/Stadium LP advising that it may take between approximately nine (9) and twelve (12) months for an appeals officer to review the Notice of Objection and render a decision. To date, no decision has been rendered.

5.0 REVIEW OF SECURITY AND OTHER POTENTIAL PRIOR RANKING CLAIMS

5.1 REALTY TAXES

161. As at the date of the Appointment Order, there were realty taxes owing of \$94,127.27 and \$22,660.36 on the Leslieville Project and Beach Project, respectively. In addition, the Construction Receiver received the final 2016 tax

¹¹The Notice of Objection was filed on the basis that (a) the Minister incorrectly assumed that the freehold residential townhome units at the Riverdale Project were condominium units and then took the position in the August 2015 Reassessment that HST became payable on the sale of all units sixty (60) days after the day on which the common element condominium corporation registered on title as a condominium, (b) the Minister based the Reassessment on incorrect estimates of the HST payable and did not take the HST new housing rebates into account, and (c) the Minister also appears to have double-counted by applying HST again on the condominium units at closing in April 2016.

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assessment and interim 2017 for both the Leslieville Project and the Beach Project.

162. As realty taxes rank in priority to all other claims on real property pursuant to the Municipal Act (Ontario), and as interest on the outstanding realty tax balances accrues at a much higher rate than Receiver Certificates, the Construction Receiver has paid all outstanding realty taxes on the Leslieville Project and Beach Project totaling \$214,051.42.

5.2 SYNDICATE

163. The Syndicate provided senior secured credit facilities to UC Leslieville (in its capacity as Borrower) pursuant to a credit agreement dated July 13, 2012, and amendments thereto (collectively, the “**Syndicate Pre-Filing Credit Agreement**”). A copy of the Syndicate Pre-Filing Credit Agreement is attached as Exhibit “F” to the Application Record to appoint the Construction Receiver (the “**Application Record**”), a copy of which is available on the Construction Receiver’s website. UC Beach, UC Riverdale, UTMI, and Mr. Alan Saskin are all guarantors under the Syndicate Pre-Filing Credit Agreement.
164. As security for all of the Debtors’ indebtedness owing to the Syndicate under the Syndicate Pre-Filing Credit Agreement, the Syndicate was given by UC Leslieville, among other things, a debenture dated July 13, 2012 (the “**Debenture**”) in the principal amount of \$70,000,000. A copy of the Debenture is attached as **Exhibit “J”** to the Application Record. The Debenture grants a mortgage and charge of all of UC Leslieville’s right, title and interest (present and future), in and to the real property comprising the Leslieville Project, Beach Project and Riverdale Project and personal property of UC Leslieville. A charge/mortgage granted by UC Leslieville in favour of the Administrative Agent (the “**CIBC Mortgage**”) to which the Debenture was appended was registered on title to the whole of the Leslieville Project, Beach Project and Riverdale Project.
165. The Syndicate advanced monies to UC Leslieville (in its capacity as Borrower) in connection with the Riverdale Project, Leslieville Project and Beach Project. As at March 31, 2017, the Construction Receiver has been advised that the following amounts are outstanding under the Syndicate Pre-Filing Credit Agreement (the “**Senior Indebtedness**”):

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Syndicate Indebtedness	Total
Project Loans (N1)	\$ 20,881,886.94
Interest on Project Loans (to March 31, 2017)	929,893.10
Capital Loan	2,500,000.00
Interest on Capital Loans (to March 31, 2017)	148,438.35
Letters of Credit (N2)	2,204,954.17
Total	\$ 26,665,172.56

N1 Includes bonded off lien claims for UC Riverdale in the amount of \$298,457.05 plus Syndicate fees and expenses.

N2 Contingent Liability

166. The Senior Indebtedness does not include financing provided by the Syndicate in the amount of \$3,000,000 pursuant to Receiver's Certificates to date in respect of fees and operating expenses in these Receivership Proceedings.

5.3 TRAVELERS

167. In connection with a revised commitment letter dated March 5, 2012 to UC Leslieville (attached as **Appendix "M"** to this Report), Travelers has provided (i) a Tarion Bond in the amount of \$1.1 million as security for UC Leslieville's obligations to Tarion up to a maximum amount of \$2,444,573, and (ii) excess condominium deposit insurance to cover deposits not protected by Tarion (the "**Travelers Master Excess Claims Policy**"), in each case, only for the Leslieville Project. Copies of the Tarion Bond and the Travelers Master Excess Claims Policy are attached as **Appendix "N"** and **Appendix "O"** to this Report.
168. Based on the books and records of the Debtors, the Construction Receiver understands that Harris Sheaffer received \$3.425 million of the deposit monies paid under the Original Leslieville APSs, most of which has been released to UC Leslieville to fund the Leslieville Project construction costs, as authorized by Travelers.
169. As at August 9, 2016, Harris Sheaffer was holding approximately \$335,000 (\$250,000 plus accrued interest of \$85,484.97) in trust in respect of these deposits (the "**Travelers Cash Collateral**"). In addition, the records of the Debtors confirm that all upgrade monies paid by an Existing Leslieville Purchaser were paid directly to UC Leslieville, as opposed to Harris Sheaffer and do not appear to be covered by the Travelers Master Excess Claims Policy.
170. UC Leslieville, as principal, and Alan Saskin, High Res and UTMI provided an indemnity in favour of Travelers for all obligations owed or owing by UC Leslieville to Travelers from time to time under or in connection with the Travelers Master Excess Claims Policy and the Tarion Bond. A copy of the indemnity agreement entered into on May 19, 2011 (the "**UC Leslieville Indemnity Agreement**") is attached as **Appendix "P"**.

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171. All obligations owing to Travelers by UC Leslieville were secured by a charge/mortgage granted by UC Leslieville in favor of Travelers (the “**Travelers Mortgage**”), and a general security agreement made August 1, 2012 given by UC Leslieville to Travelers (the “**Travelers GSA**”). Copies of the Travelers Mortgage and the Travelers GSA are attached as **Appendix “Q”** and **Appendix “R”**, respectively.
172. As at March 31, 2017, the obligations owing to Travelers can be summarized as follows:

Travelers Insurance Company of Canada	Total
Tarion Bond (N1)	\$ 1,100,000.00
Excess Condominium Deposit Insurance ("ECDI") Claims (N1, N2)	2,444,573.00
Unpaid Tarion Bond Premiums	4,099.00
Unpaid ECDI Premiums	40,364.00
Legal Fees	55,000.00
Total	\$ 3,644,036.00

N1 These are contingent claims and will be determined based on the total number of Opt-Outs.

N2 Based on a review of UC Leslieville's books and records, the Construction Receiver believes the ECDI contingent claim is \$2,325,323, or \$119,250 lower than Travelers estimate.

5.4 TERRA FIRMA

173. A copy of the commitment letter dated August 2011 between Terra Firma and UC Leslieville, Bosvest Inc. and Westside Gallery Lofts Inc. and Marina Townhomes of South Beach Inc., as borrowers, and UTMI and Mr. Alan Saskin, as guarantors, together with all omnibus loan amending agreements, including the fifth omnibus amending agreement made July 21, 2015 between the UC Leslieville, the guarantors, UC Riverdale and UC Beach, collectively, the “**Terra Firma Commitment Letter**”), and letter of intent dated June 1, 2014 issued by Terra Firma MA Ltd., and assigned to Terra Firma in favour of UC Leslieville (the “**Terra Firma Letter of Intent**”) are attached as **Appendix “S”**.
174. As security for the indebtedness owing to Terra Firma under the Terra Firma Commitment Letter and Terra Firma Letter of Intent, Terra Firma, was granted, among other security, the following:
- a. an acknowledgement and direction dated September 12, 2011 in favour of, *inter alia*, Terra Firma, attaching an unregistered charge/mortgage (the “**Unregistered Mortgage**”) granted by UC Leslieville in favour of Terra Firma in the original principal amount of \$10,000,000, of which \$5,500,000 was in respect of the Leslieville Project, Beach Project and Riverdale Project, together with a direction to, *inter alia*, Terra Firma authorizing Terra Firma, on the occurrence of certain events of default,

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and provided certain conditions were met, to register the Unregistered Mortgage against title to the Leslieville Project, Beach Project and Riverdale Project. The Unregistered Mortgage constitutes an equitable mortgage over the Leslieville Project, Beach Project and Riverdale Project;

- b. a charge/mortgage (the “**Registered Mortgage**”) granted by UC Leslieville and UC Riverdale in favour of Terra Firma in the original principal amount of \$5,500,000, registered on July 22, 2015 against the Leslieville Project, the Riverdale Project (less the parcels conveyed to third parties prior to the Registered Mortgage) and certain portions of the Beach Project not yet conveyed to third parties (collectively, the “**2015 Property**”). The Registered Mortgage did not include three parcels comprising part of the Beach Project not yet conveyed to third parties, but such three parcels are subject to the Unregistered Mortgage. The Registered Mortgage grants a charge, pledge and assignment to Terra Firma of all of UC Leslieville’s right and interest in and to the 2015 Property;
 - c. a notice of assignment of rents granted by UC Leslieville and UC Riverdale in favour of Terra Firma, registered against title to the 2015 Property; and
 - d. general security agreements granted by UC Leslieville dated as of September 12, 2011 and each of UC Riverdale and UC Beach dated as of June 11, 2014, in favour of Terra Firma, all of which were properly registered at the date of the Receivership Proceedings under the *Personal Property Security Act* (Ontario).
175. As summarized below, Terra Firma has advised the Construction Receiver that is owed \$7,163,546.74, inclusive of \$1,320,236.11 in accrued interest, as at March 31, 2017. Interest and costs have continued to accrue since then.

Terra Firma Capital Corporation Indebtedness		Total
Loan Amount		\$ 5,500,000.00
Interest (December 1, 2015 to March 31, 2017)		1,320,236.11
Legal Fees		343,310.63
Total		\$ 7,163,546.74

5.5 LEGAL REVIEW OF SYNDICATE, TERRA FIRMA AND TRAVELERS SECURITY

- 176. The Construction Receiver’s Independent Counsel has completed a review of the security of the Syndicate, Terra Firma and Travelers, and has delivered opinions to the Construction Receiver in respect thereto (the “**Security Opinions**”).
- 177. In summary, the Security Opinions, subject to the usual qualifications and assumptions set out therein and based on searches of the parcel registers with

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currency dates described therein, including various subordination and postponement agreements, opines that:

- a. the security of the Syndicate, Terra Firma and Travelers constitute legal, valid and binding obligations of UC Leslieville, enforceable against UC Leslieville by the Administrative Agent, as agent for the Syndicate, Terra Firma and Travelers, respectively, in accordance with their terms; and
- b. subject to any outstanding registered construction liens, unpaid realty taxes and statutory claims of which the Construction Receiver is not aware that may have priority, the CIBC Mortgage is in a first ranking position on the Leslieville Project, Beach Project and Riverdale Project (and the proceeds of Units which have been sold to third parties prior to the Receivership Proceedings) in favour of the Administrative Agent; except, the CIBC Mortgage is in a second ranking position, vis-à-vis Travelers, with respect to any deposit monies received from time to time from Existing Leslieville Purchasers and accrued interest thereon that remain in trust relating to the Leslieville Project (the “**Deposit Monies**”), and with respect to any advances made by the Syndicate exceeding \$27,594,700 plus interest thereon;
- c. the Travelers Mortgage is in a second ranking position on the Leslieville Project in favour of Travelers, except with respect to Deposit Monies in respect of which the Travelers Mortgage is in a first ranking position;
- d. the Registered Mortgage in favour of Terra Firma is in a third ranking position on the Leslieville Project and a second ranking position on the Riverdale Project and the Beach Project (and the proceeds of Units which have been sold to third parties prior to the Receivership Proceedings); and
- e. with respect to the general security agreements granted by UC Riverdale and UC Beach, Construction Receiver’s Independent Counsel has not been able to satisfy itself of the evidence of debt obligations owing to UC Riverdale or UC Beach which are secured by such security. Construction Receiver’s Independent Counsel has discussed the issue with counsel for Terra Firma who asserts evidence of debt obligations are contained in the security documents. The Construction Receiver has not pursued further as it does not view this issue as material to the Receivership Proceedings or the proposed distribution of Proceeds of Realization under the Waterfall. All of the assets subject to the Proposed Settlement (but for a 0.001% interest in certain of the Beach Lots which are charged by the Registered Mortgage and/or Unregistered Mortgage), are wholly owned by UC Leslieville over which Terra Firma has valid security.

5.6 CONSTRUCTION LIEN CLAIMS AGAINST DEBTORS

178. The Construction Receiver has been advised by CIBC that the lien claims registered on the Riverdale Project lands were bonded off prior to the Appointment Order to facilitate the closings of the Riverdale Project units in or about late April and early May of 2016. The Construction Receiver has been advised by the Construction Receiver's Independent Counsel that its review of the parcel registers for property identifiers (PINs) for the Riverdale Project indicated that there were no remaining lien claims registered against the title to the Riverdale Project lands.
179. As set out in the charts below, as at January, 30, 2017, there were 22 lien claims in the aggregate amount of \$5,620,701.11 (collectively, the "**Lien Claims**") registered on title against the Debtors with respect to the Leslieville Project and the Beach Project (collectively, the "**Projects**"). There are 13 Lien Claims in the aggregate amount of \$3,561,770.19 registered on title with respect to the Leslieville Project and 9 Lien Claims in the aggregate amount of \$2,058,930.92 registered on title with respect to the Beach Project.

5.7 PRIORITY CLAIMS FOR HOLDBACK DEFICIENCIES

180. Pursuant to the CLA, a construction lien claimant with a valid lien claim may assert a priority claim on account of deficiencies in holdbacks that an owner should have maintained in priority to amounts owing to a mortgagee under its charge on the project lands. Under the CLA, where a lien claimant contracted directly with the Debtors (as owners) or their agent(s), a lien claimant is entitled to claim priority for holdback deficiencies in priority to amounts owing to CIBC and Terra Firma up to a maximum amount of 10% of the total value of materials and services which the lien claimant provided to the Projects (the "**Holdback Deficiencies**").
181. Given the status of these proceedings, a construction lien claims process has not been established to determine, among other things, the quantum, validity and priority of the Lien Claims or to determine the total value of materials and services provided to the Projects by the lien claimants (collectively, the "**Lien Claimants**"). However, in order to prepare an estimate of the aggregate amount of Holdback Deficiencies with respect to the Projects (the "**Estimated Holdback Amount**") for the purpose of the Terra Firma Motion, Construction Receiver's Independent Counsel requested that the Lien Claimants provide their positions (on a without prejudice basis) as to the total value of materials and services provided by each Lien Claimant to the projects. These amounts are set out in the following charts with the exception of two (2) Lien Claimants who did not respond in which case the total contract amount claimed by these two (2) Lien Claimants in their Lien Claims has been used (the Lien Claimants were advised that total contract amounts would be used if they did not respond):

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a. *Lien and Holdback Claims – UC Leslieville Project*

Lien Claimant	Total Lien Amount	Total Value		Priority Holdback Amount (10%)
		Materials/Services		
207875 Ontario Ltd (o/a Canadian Rental Centres)	\$ 37,133.02	\$ 77,475.56	\$	7,747.56
Alpa Stairs and Railings Inc.	179,860.26	646,854.45		64,685.45
Commercial Two Construction Inc.	220,067.21	1,017,000.00		101,700.00
Emergency Propane Services Inc.	12,022.05	134,490.57		13,449.06
EXP Services Inc.	9,377.58	151,220.77		15,122.08
Lido Construction Inc.	1,548,100.00	1,548,100.00		154,810.00
MDF Mechanical Ltd.	291,963.55	1,558,547.10		155,854.71
NG Marin Inc.	856,928.72	1,121,247.02		112,124.70
Orin Contractors Corp.	179,415.75	179,415.75		17,941.58
Roni Excavating Limited	66,901.00	66,901.00		6,690.10
Silvio Construction Co. Ltd.	40,361.78	40,361.78		4,036.18
Sterline Carpet and Tile	46,997.53	364,012.55		36,401.26
Uptown Hardward Ltd.	72,641.74	292,731.04		29,273.10
TOTAL	\$ 3,561,770.19	\$ 7,198,357.59	\$	719,835.78

b. *Lien and Holdback Claims – UC Beach Project*

Lien Claimant	Total Lien Amount	Total Value		Priority Holdback Amount (10%)
		Materials/Services		
207875 Ontario Ltd. (o/a Canadian Rental Centres)	\$ 74,151.96	\$ 106,733.22	\$	10,673.32
Alpa Stairs and Railings Inc.	33,083.39	295,326.86		29,532.69
Furkin Construction Inc.	116,337.45	188,636.24		18,863.62
Lido Construction Inc.	866,823.00	866,823.00		86,682.30
NG Marin Inc.	646,159.76	646,159.76		64,615.98
Orin Contractors Corp.	181,969.72	181,969.72		18,196.97
Roni Excavating Ltd.	79,481.33	79,481.33		7,948.13
Silvio Construction Co. Ltd.	35,467.55	35,467.55		3,546.76
Uptown Hardward Ltd.	25,456.76	133,103.62		13,310.36
TOTAL	\$ 2,058,930.92	\$ 2,533,701.30	\$	253,370.13

182. As set out in the above charts, the total Estimated Holdback Amount is \$973,205.89, based on 10% of the aggregate total value of materials and services provided to the Projects by the Lien Claimants of \$9,732,058.89. This amount is based on the following assumptions: (i) each Lien Claimant contracted directly with the owner/debtor; (ii) the amounts in the charts represent the total value of materials and services actually provided by the Lien Claimants to the Projects; (iii) all Lien Claims are validly registered and are valid as to quantum; (iv) no holdback amounts were retained by the Debtors such that each Lien Claimant is entitled to a priority for 10% of their total value of materials and services provided to the Projects; and (v) the Lien Claimants have no additional priority claims under section 78 of the CLA.

5.8 TREATMENT OF CONSTRUCTION LIEN CLAIMS UNDER SETTLEMENT APPROVAL ORDER AND BEACH PROJECT ORDER

183. To date, no information has been provided which would indicate that the total value of materials and services provided to the Projects by the Lien Claimants could exceed the amounts set out in the charts above.
184. Accordingly, based on the information currently available to the Construction Receiver and the assumptions set out above, it is the Construction Receiver's view that the Estimated Holdback Amount of \$973,205.89 is sufficient to satisfy the Holdback Deficiencies. However, in an abundance of caution, the Settlement Parties have agreed to set aside a reserve amount of \$1.6 million from the Proceeds of Realization (\$1,184,000 reserve for the Leslieville Project (the "**Leslieville Project Holdback Reserve**") and \$416,000 reserve for the Beach Project (the "**Beach Project Holdback Reserve**"), respectively) to be held by the Construction Receiver in full and final satisfaction of all claims of the Lien Claimants and their subcontractors, if any, in respect of any deficiencies in the holdbacks required to have been retained by any statutory "owner" of the Leslieville Project and Beach Project, as that term is defined in section 1(1) of the CLA that have priority to amounts that were owing to any mortgagee against the Leslieville Project and Beach Project pursuant to Part IV of the CLA (the "**Holdback Deficiencies**").
185. Pursuant to the Settlement Approval Order, the Construction Receiver is authorized and directed to hold the Leslieville Project Holdback Reserve in an interest bearing account for amounts owed to the Lien Claimants for Holdback Deficiencies. The Leslieville Project Holdback Reserve will stand in place and stead of the Leslieville Project, to be used to satisfy the entirety of claims by the Lien Claimants, and their subcontractors, if any, with respect to Holdback Deficiencies, and all actions or proceedings commenced against UC Leslieville, the Administrative Agent, Travelers, and Terra Firma by the Lien Claimants, and their subcontractors, if any, with respect to the Holdback Deficiencies.
186. Once the Leslieville Project Holdback Reserve is established by the Construction Receiver using Proceeds of Realization, all actions or proceedings commenced by the Lien Claimants (as set out in **Schedule "E"** to the Settlement Approval Order) or their subcontractors, if any, as applicable, against UC Leslieville, Terra Firma, the Administrative Agent, and Travelers with respect to: (i) Holdback Deficiencies; (ii) trust or damage claims (if any); or (iii) otherwise claiming priority over any mortgagee (collectively, the "**Mortgagee Actions**") will be dismissed as against UC Leslieville, Terra Firma, the Syndicate, as applicable, on a with prejudice without costs basis.
187. It is intended that the Lien Claimants will coordinate amongst themselves, Terra Firma, Travelers and Administrative Agent to settle the exact amounts of each Lien Claimant's claim in respect of Holdback Deficiencies with the consent of Construction Receiver (the "**Settled Amounts**"). Once such Settled Amounts are

agreed upon, the Construction Receiver will bring a motion or motions (as required) to pay the Settled Amounts to each of the Lien Claimants and to distribute any residual amount, if any, in accordance with the distribution Waterfall.

188. The same structure is contemplated in the Beach Project Order with respect to Lien Claims registered on title against the Beach Project.

5.9 REVIEW OF MORTGAGE ADVANCES

189. By letter dated July 22, 2016, counsel for MDF Mechanical Ltd. requested certain information from CIBC and Terra Firma pursuant to section 39 of the CLA including the dates and amounts of advances made by CIBC and Terra Firma pursuant to their respective mortgages registered on title to the Leslieville Project. Copies of the responses provided by counsel for CIBC and Terra Firma dated August 22, 2016 and September 16, 2016, respectively, are attached as **Appendix "T"**.
190. The information provided by CIBC in its response raised potential issues with respect to the timing of a subsequent advance by CIBC under its mortgage and the discharge of a Lien Claim registered on title to the Leslieville Project. In particular, Blueline Rental, Inc. ("**Blueline**") registered a Lien Claim on title on September 30, 2014, which was discharged on October 24, 2014 and the CIBC response indicated that CIBC made an intervening advance of \$657,344 on October 16, 2014. A copy of the PIN for the Leslieville Project as at March 30, 2017, is attached as **Appendix "U"**. On its face, this information suggested that CIBC made an advance while Blueline's Lien Claim was registered on title which, pursuant to section 78(4) of the CLA, would result in CIBC losing priority over this advance to the Lien Claimants with valid Lien Claims on the Leslieville Project. Accordingly, counsel for MDF Mechanical Ltd. requested that counsel for the Construction Receiver review the timing of this advance.
191. In response to requests for additional information by counsel for the Construction Receiver, counsel for CIBC advised that, as a result of certain clerical errors, the dates of CIBC's advances set out in its letter dated August 22, 2016 were incorrect, as those dates reflected the date the Draw Notice was received by CIBC, not the dates on which advances were made. Rather, the advance of \$657,344 was actually made on October 27, 2014, after the discharge of Blueline's Lien Claim. Copies of a spreadsheet setting out the dates and amounts of advances by CIBC with respect to the Projects (and the Riverdale Project), bank statements for UC Leslieville and a letter of direction dated August 1, 2012 with respect to the initial advance, were provided to the Construction Receiver and reviewed by Construction Receiver's Independent Counsel.
192. Attached as **Appendix "V"** is a copy of letter dated October 26, 2016 from counsel for CIBC to counsel for Commercial Two Construction Inc. in response

to a subsequent section 39 request with respect to, among other things, CIBC's mortgage and advances.

193. Based on the information and documentation provided to the Construction Receiver and its counsel regarding the mortgage advances by CIBC and Terra Firma with respect to the Projects, it appears that there is no basis for any additional priority claims over registered mortgagees for the Lien Claimants other than as set out above.

5.10 STERLING TILE & CARPET SECTION 39 REQUEST

194. By letter dated August 3, 2016, a copy of which is attached as **Appendix "W"**, Sterling Tile & Carpet requested certain information from numerous parties, including the Construction Receiver, pursuant to section 39 of the CLA. A copy of the Construction Receiver's response by letter dated December 1, 2016, is attached as **Appendix "X"**.

6.0 CONSTRUCTION RECEIVER'S ACTIVITIES TO DATE

195. In addition to the extensive ongoing discussions and meetings with various stakeholders necessary to achieve the Proposed Settlement outlined in detail in this Report, since its appointment, the Construction Receiver has also undertaken a variety of activities in pursuing its mandate, including, among other things, (i) conservatory and security measures, (ii) asset review and analysis, (iii) review of the Syndicate, Travelers and Terra Firma security positions, and (iv) court/administrative and regulatory matters as summarized below.

6.1 COURT/ADMINISTRATIVE/REGULATORY

- a. attendance in Court on May 31, 2016 on the granting of the Appointment Order, and subsequent court attendances in respect of these proceedings;
- b. meetings and discussions with representatives of UTMI and KSV (Monitor of certain Filed Urbancorp Entities) regarding books and records of Debtors and coordination of information flow to the Construction Receiver;
- c. setting up and maintaining the Construction Receiver's webpage;
- d. preparing the Notice and Statement of Receiver pursuant to sections 245 (1) and 246 (1) of the BIA for each of the Debtors and remitting same to the Office of the Superintendent of Bankruptcy;
- e. establishing new bank accounts in the name of Alvarez & Marsal Canada Inc., in its capacity as Construction Receiver, and separate HST account numbers for the Construction Receiver;

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- f. reviewing and corresponding with Berkow, Cohen LLP in respect of certain litigation claims made against the Debtors and related parties in respect of liens, real estate commissions, and other unsecured claims;
- g. reviewing the status of outstanding pre-receivership HST liabilities or refunds due, including reviewing the August 2015 Reassessment, the April 2016 Assessment and the May 2016 Assessment received from CRA in respect of the Riverdale Project and retaining MNP LLP to prepare and file the Notice of Objection;
- h. preparing and filing HST returns in respect of the receivership reporting periods ended May 31, 2016 to February 28, 2017;
- i. numerous discussions and correspondence with CRA in respect of set-off being applied by CRA against the Construction Receiver refund returns, and co-ordinating the reversal of same;
- j. managing operating costs and expenses of the Receivership Proceedings, including estimating the Construction Receiver's cash requirements, reviewing invoices submitted by contractors and consultants, submitting funding requests through the issuance of Receiver Certificates, and preparing statements of Receipts and Disbursements and Commitments;
- k. preparing the First Report of the Construction Receiver in respect of service issues and the scheduling of the Terra Firma Motion;
- l. preparing the Interim Statement of Receiver pursuant to section 246(2) of the BIA for each of the Debtors and remitting same to the Office of the Superintendent of Bankruptcy;
- m. engaging Miller Thomson LLP, as the Construction Receiver's Real Estate Counsel in respect of the New APS and Disclosure Documentation; and
- n. preparation of the Second Report of the Construction Receiver.

6.2. CONSERVATORY AND SECURITY MEASURES

- a. retaining Firstbrook Cassie and Anderson Inc. ("FCA") as the Construction Receiver's insurance broker, and obtaining through FCA new and extended insurance coverage;
- b. securing the books and records of the Debtors and facilitating transfer of same to the Construction Receiver's offices;
- c. securing Property of the Debtors by, among other things, implementing appropriate security arrangements at UC Leslieville and UC Beach Projects;

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- d. freezing the Debtors' bank accounts at CIBC and accounts at Harris Sheaffer in respect of purchaser deposits for the Leslieville Project and the Residual Closing Monies;
- e. touring the Leslieville and Beach Projects;
- f. engaging various contractors and consultants to assist in the preservation and maintenance of the Project sites, including in respect of site safety and maintenance, pest control, snow removal and salting, winter heating, general clean-up services, and remediation work in respect of water damage and potential mould issues, among others, and coordinating same with such contractors and consultants;
- g. obtaining quotes from, and coordinating with, consultants to perform a building envelope review on the Leslieville Project; and
- h. reviewing and negotiating extensions of the CPAs with the City in respect of the Leslieville Project to December 31, 2016 and subsequently to April 30, 2017 and July 31, 2017.

6.3. ASSET REVIEW AND ANALYSIS

- a. engaging the services of Altus, a leading commercial real estate consulting firm¹², to perform an Estimate of Costs-to-Complete Report, and to provide general consulting advice with respect to project completion status, potential construction options, construction liens, communication with City, project security and maintenance;
- b. preparing a summary of Riverdale Project closing proceeds and related adjustments and to assist the Syndicate with its undertaking to release security over the Riverdale Project;
- c. analysis of the Debtors' purchaser deposit information, and discussions with counsel to Travelers regarding matters related thereto;
- d. engaging the services of CBRE Limited (“**CBRE**”) and Janterra Real Estate Advisors (“**Janterra**”) to conduct appraisals on the Leslieville Project and Beach Project, and discussions with CBRE and Janterra representatives regarding content of appraisal reports;
- e. preparing RFP document for potential listing brokers, and reviewing RFP submissions received and related analysis;
- f. preparing revised RFP process in respect of only the Beach Project, and reviewing revised RFP submissions received and related analysis;

¹²Altus was also the Syndicates' cost consultant appointed by CIBC pursuant to its Syndicate Pre-Filing Credit Agreement.

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- g. meetings with City officials and follow up discussions to review the state of the Projects, Notice of Approval Conditions, site plan agreements, status of outstanding approvals, status of letters of credit, and other matters;
- h. discussions and correspondence with City officials in respect of the calculation of realty tax arrears, and reversal of errors made by the City;
- i. reviewing all purchase and sale agreements in the Debtors' possession and preparation of summary based on information available; and
- j. reviewing an unsolicited offer on the Beach Lots and related discussions with stakeholders.

6.4 STAKEHOLDER SETTLEMENT DISCUSSIONS, DOCUMENTATION AND ANALYSIS

- a. review of lien claims and related discussions with counsel regarding holdback amounts;
- b. attendance at day-long mediation with The Honourable Mr. J. Ground and stakeholder group on September 28, 2016;
- c. preparation of numerous purchaser deposit, purchase price and upgrade summaries including numerous discussions with stakeholder groups;
- d. arrange for inspection tours by UC Leslieville Purchasers, and various stakeholder groups;
- e. preparation of numerous security waterfall scenarios to assist in the overall analysis of the proposed settlement;
- f. review of condominium disclosure documentation in respect of geothermal assets and related discussions with stakeholders;
- g. assistance in drafting of the initial and revised development budgets, and related discussions with stakeholders;
- h. arranging for the updating of annual condominium budget with property management firm, FirstService Residential;
- i. review and commentary in respect of several drafts of the Settlement Framework;
- j. review and commentary in respect of several drafts of the Settlement Definitive documentation, including the New APS, the Disclosure Documentation, the Craft Construction Contract, the Craft Development

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Contract, the TF Cost Overrun Agreement, the Craft Loan Agreement, the Syndicate Construction Loan Agreement and the draft court Orders; and

- k. preparing a Special Report to Tarion in respect of the state of completion of the Leslieville Project.

7.0 CONSTRUCTION RECEIVER'S STATEMENT OF RECEIPTS AND DISBURSEMENTS ("R&D") AND ESTIMATED FUNDING REQUIREMENTS

Construction Receiver's Interim Statement of Receipts and Disbursements and Current Borrowings

196. The Construction Receiver's Interim Statement of Receipts and Disbursements ("R&D") for the period May 31, 2016 to March 31, 2017 (the "Period"), is attached as **Appendix "Y"**. The R&D indicates a cash balance on hand as at March 31, 2017 of \$152,486.98.
197. The principal assets of UC Leslieville and UC Beach are partially constructed real estate holdings which do not presently generate positive cash flow. The principal asset of UC Riverdale relates to monies held in trust by Harris Sheaffer in respect of HST withheld on the UC Riverdale closings. Accordingly, the Construction Receiver's only source of cash receipts has been Court authorized borrowings issued pursuant to Receiver Certificates, HST refunds and interest on cash balances held. The Construction Receiver's disbursements consist primarily of professional fees, repairs and maintenance, realty taxes, insurance, utilities and security.
198. The Construction Receiver has fully drawn its authorized borrowings of \$3.0 million through the issuance of Receiver's Certificates, as set out below:

Certificate No.	Amount	Date Issued
1	\$ 200,000	7-Jun-16
2	1,100,000	2-Aug-16
3	1,000,000	14-Sep-16
4	700,000	7-Dec-16
TOTAL	\$ 3,000,000	

Estimated Funding Requirements

199. As at March 31, 2017, the Construction Receiver has estimated its accrued liabilities to be \$1,824,906, as outlined in **Appendix "Z"**. Net of cash on hand, the Construction Receiver's accrued liabilities are estimated at \$1,672,419. Accrued liabilities predominately relate to unpaid professional fees.
200. As outlined in the attached as **Appendix "AA"**, the Construction Receiver is requesting additional borrowings of \$3.0 million, to cover estimated accrued liabilities as at March 31, 2017 and future anticipated costs, assuming the proposed orders sought to implement the Proposed Settlement are granted and the

Construction Receiver is authorized to carry out its obligations thereunder, which primarily relate to professional fees, realty taxes, expenditures required to gain release of letters of credit, and Project Monitor costs.

201. Accordingly, the Construction Receiver is respectively requesting this Honourable Court's approval of an increase in the Construction Receiver's authorized borrowing limit, from \$3.0 million to \$6.0 million.

8.0 APPROVAL OF FEES AND ACTIVITIES

202. Pursuant to the Appointment Order, the Construction Receiver was specifically authorized by the Court to retain Construction Receiver's Counsel to advise and represent it, save and except on matters upon which the Construction Receiver in its judgment determines it requires independent advice, in which case the Construction Receiver shall retain independent counsel.
203. Given the variety of realization options available to the Construction Receiver and competing interests of the stakeholders, the engagement of independent counsel to provide independent legal advice became critically important. The Construction Receiver retained Blake, Cassels & Graydon LLP to act as Construction Receiver's Independent Counsel in these Receivership Proceedings.
204. The Construction Receiver and its counsel have maintained detailed records of their professional time and disbursements since the Appointment Order.
205. Pursuant to the Appointment Order, the fees and disbursements of the Construction Receiver and the fees and disbursements of its legal counsel were authorized to be paid on a periodic basis based on the fees and expenses incurred in respect of each Project, and for fees and expenses incurred for the general administration of the Receivership Proceedings.
206. The Construction Receiver is seeking approval of its fees and those of its counsel in connection with the performance of their duties in the Receivership Proceedings, in the following amounts:
- a. Construction Receiver in the amount of \$1,390,042.50, plus HST and disbursements for the period from May 30, 2016 to March 31, 2017;
 - b. Construction Receiver's Independent Counsel in the amount of \$1,328,389.60, plus HST and disbursements for the period from May 19, 2016 to March 31, 2017;
 - c. Construction Receiver's Counsel in the amount of \$650,479.00, plus HST and disbursements for the period from June 2, 2016 to March 31, 2017; and

- d. Construction Receiver's Real Estate Counsel in the amount of \$44,562.00, plus HST and disbursements for the period from March 2nd, 2017 to March 31, 2017.
207. The Receiver will be serving and filing a supplementary report in respect of the approval sought of such professional fees which will include affidavits from each firm attaching detailed accounts (redacted for privileged information) and providing summaries which will identify the legal professionals who worked on the Receivership Proceedings, including year of call, hourly rate, the total fees and hours billed and combined average hourly rates for each firm.
208. The Construction Receiver and its counsel had to take a very active role in facilitating the Proposed Settlement under very challenging circumstances as described in detail in this Second Report. The fees and disbursements of the Construction Receiver and its counsel resulting from the above described activities are significant. However, they reflect the complexity of the Proposed Settlement and the difficulties encountered in finding and successfully achieving a realization strategy that balanced the competing interests of the stakeholders while maximizing recoveries.


9.0 CONCLUSIONS & RECOMMENDATIONS

209. The Construction Receiver requests that this Honourable Court grant the relief sought by the Construction Receiver in this Second Report.

All of which is respectfully submitted, this 21st day of April, 2017.

ALVAREZ & MARSAL CANADA INC. SOLELY IN ITS CAPACITY AS RECEIVER AND MANAGER AND CONSTRUCTION LIEN TRUSTEE OF THE ASSETS, UNDERTAKINGS AND PROPERTY OF URBANCORP (LESLIEVILLE) DEVELOPMENTS INC., URBANCORP (RIVERDALE) DEVELOPMENTS INC., & URBANCORP (THE BEACH) DEVELOPMENTS INC. AND NOT ITS PERSONAL OR CORPORATE CAPACITY

Per:



Douglas R. McIntosh
President

APPENDIX “A”

SCHEDULE "A"

DEFINITIONS

"**2015 Beach APS**" shall have the meaning given to it in paragraph 128 of this Second Report;

"**2015 Property**" shall have the meaning given to it in paragraph 173b of this Second Report;

"**Acknowledgement**" shall have the meaning given to it in paragraph 35f of this Second Report;

"**Ad Hoc Beach Purchasers**" shall have the meaning given to it in paragraph 7 of this Second Report;

"**Ad Hoc Beach Purchaser Counsel**" shall have the meaning given to it in paragraph 7 of this Second Report;

"**Ad Hoc Leslieville Purchaser Counsel**" means Dickinson Wright LLP;

"**Ad Hoc Leslieville Purchasers**" shall have the meaning given to it in paragraph 7 of this Second Report;;

"**Administrative Agent**" means Canadian Imperial Bank of Commerce, in its capacity as administrative agent for the Syndicate under the Syndicate Construction Loan Agreement and the Credit Agreement;

"**Altus**" means Altus Group Limited;

"**Application Record**" shall have the meaning given to it in paragraph 162 of this Second Report;

"**Appointment Order**" shall have the meaning given to it in paragraph 1 of this Second Report;

"**April 2016 Reassessment**" shall have the meaning given to it in paragraph 156 of this Second Report;

"**August 2015 Reassessment**" shall have the meaning given to it in paragraph 154 of this Second Report;

"**Bankruptcy Condition**" shall have the meaning given to it in paragraph 111 of this Second Report;

"**Bankruptcy Trustee**" shall have the meaning given to it in paragraph 113 of this Second Report;

"**Beach Homes**" shall have the meaning given to it in paragraph 121 of this Second Report;

"**Beach Listing Agent**" shall have the meaning given to it in paragraph 13b of this Second Report;

“**Beach Listing Agreement**” shall have the meaning given to it in paragraph 142 of this Second Report;

“**Beach Marketing Plan**” shall have the meaning given to it in paragraph 146 of this Second Report;

“**Beach Lots**” shall have the meaning given to it in paragraph 132 of this Second Report;

“**Beach Project**” is the project described in Section 3.0 of this Second Report;

“**Beach Project Holdback Reserve**” shall have the meaning given to it in paragraph 183 of this Second Report;

“**Beach Project Order**” shall have the meaning given to it in paragraph 13b of this Second Report;

“**Beach Sale Process**” has the meaning given to it in paragraph 13b and as more particularly described in Section 3.5 of this Second Report;

“**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;

“**Bicycle Storage Units**” shall have the meaning given to it in paragraph 18 of this Second Report;

“**Blueline**” means Blueline Rental, Inc.

“**Brochure**” shall have the meaning given to it in paragraph 146 of this Second Report;

“**Cash Collateral Release Date**” shall have the meaning given to it in paragraph 118d of this Second Report;

“**CBRE**” means CBRE Limited;

“**CIBC**” means the Canadian Imperial Bank of Commerce

“**CIBC Mortgage**” shall have the meaning given to it in paragraph 164 of this Second Report;

“**City**” means the City of Toronto;

“**CLA**” means the *Construction Lien Act*, R.S.O. 1990, c. C.30, as amended;

“**Condominium**” means the condominium which will be created upon registration of the declaration against the Leslieville Project pursuant to the provisions of the *Condominium Act* (Ontario);

“**Condominium Corporation**” means the condominium corporation for the Condominium;

“**Construction Lien Trustee**” shall have the meaning given to it in paragraph 1 of this Second Report;

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“**Construction Receiver**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**Construction Receiver’s Charge**” shall have the meaning given to it in paragraph 19 of the Appointment Order;

“**Construction Receiver’s Counsel**” means Gowlings WLG (Canada) LLP;

“**Construction Receiver’s Independent Counsel**” means Blake, Cassels & Graydon LLP;

“**Construction Receiver’s Real Estate Counsel**” means Miller Thomson LLP;

“**Cost Overrun**” shall have the meaning given to it in TF Cost Overrun Agreement;

“**Court**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**CPAs**” shall have the meaning given to it in paragraph 20 of this Second Report;

“**CRA**” means the Canada Revenue Agency;

“**Craft**” means C.R.A.F.T. Development Corporation;

“**Craft Cash Collateral**” shall have the meaning given to it in paragraph 118d of this Second Report;

“**Craft Charge**” shall have the meaning given to it in paragraph 106a of this Second Report;

“**Craft Compensation**” shall have the meaning given to it in paragraph 73 of this Second Report;

“**Craft Construction Charge**” means the Court ordered charge over the Leslieville Project, subordinate to the Syndicate Pre-Filing Secured Obligations, to secure all obligations of the Construction Receiver under the Craft Loan Agreement;

“**Craft Construction Contract**” means the fixed price construction contract dated April 18, 2017 made between UC Leslieville by the Construction Receiver and Craft for the completion of the construction of the Leslieville Project, and as appended as **Appendix “C”** to the Second Report;

“**Craft COR Deferred Fee**” shall have the meaning given to it in paragraph 87 of this Second Report;

“**Craft COR Deferred Fee Charge**” shall have the meaning given to it in paragraph 87 of this Second Report;

“**Craft Deferred Management Fee Charge**” shall have the meaning given to it in paragraph 74 of this Second Report;

“**Craft Development Contract**” means the development contract dated April 18, 2017 between UC Leslieville by the Construction Receiver and Craft for the provision by Craft of development

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services with respect to the Leslieville Project, and as appended as **Appendix “D”** to the Second Report;

“**Craft Geo-Thermal Charge**” shall have the meaning given to it in paragraph 90 of this Second Report;

“**Craft Geo-Thermal Systems Costs**” shall have the meaning given to it in paragraph 90 of this Second Report;

“**Craft Loan Agreement**” means the loan agreement dated April 18, 2017 made between the Construction Receiver (as borrower) and Craft (as lender), and as appended as **Appendix “F”** to the Second Report;

“**Craft Loans**” shall have the meaning given to it in paragraph 82a of this Second Report;

“**Craft Success Fee**” shall have the meaning given to it in paragraph 73b of this Second Report;

“**Craft Success Fee Charge**” shall have the meaning given to it in paragraph 74 of this Second Report;

“**Debenture**” shall have the meaning given to it in paragraph 163 of this Second Report;

“**Debtors**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**Deferred Management Fee**” shall have the meaning given to it in paragraph 73a ii of this Second Report;

“**Deposit Holder**” shall have the meaning given to it in paragraph 35g of this Second Report;

“**Deposit Monies**” shall have the meaning given to it in paragraph 176b of this Second Report;

“**Detached House**” shall have the meaning given to it in paragraph 18 of this Second Report;

“**Development Services**” shall have the meaning given to it in paragraph 71 of this Second Report;

“**Disclosure Documentation**” shall have the meaning given to it in paragraph 35e of this Second Report;

“**DW Costs**” shall have the meaning given to it in paragraph 39i of this Second Report;

“**Earned Management Fee**” shall have the meaning given to it in paragraph 73a i of this Second Report;

“**Effective Date**” shall have the meaning given to it in the Settlement Approval Order;

“**Estimated Holdback Amount**” shall have the meaning given to it in paragraph 180 of this Second Report;

“**Excess Deposits**” shall have the meaning given to it in paragraph 129 of this Second Report;

“**Excess Parking Unit Process**” shall have the meaning given to it in paragraph 103 of this Second Report;

“**Excess Parking Units**” shall have the meaning given to it in paragraph 18 of this Second Report;

“**Excluded Party**” shall have the meaning given to it in paragraph 138 of this Second Report;

“**Existing Beach Purchaser**” mean a person who has entered into an Original Beach APS with UC Beach, or where such person or persons has/have assigned its/their Original Beach APS, the assignee(s) thereof;

“**Existing Leslieville Purchaser**” means a person who has an entered into an Original Leslieville APS with UC Leslieville, or where such person or persons has/have assigned its/their Original Leslieville APS, the assignee(s) thereof;

“**FCA**” means Firstbrook Cassie and Anderson Inc.;

“**Final Order**” shall have the meaning given to it in paragraph 42c of this Second Report;

“**Final Tentative Occupancy Date**” shall have the meaning given to it in paragraph 39h of this Second Report;

“**Fixed Price**” shall have the meaning given to it in paragraph 68 of this Second Report;

“**Funding Failure**” shall have the meaning given to it in paragraph 40 of this Second Report;

“**Funding Failure Notice**” shall have the meaning given to it in paragraph 40 of this Second Report;

“**Geo-Thermal Company**” shall have the meaning given to it in paragraph 91 of this Second Report;

“**Geo-Thermal Energy Supply Contract**” shall have the meaning given to it in paragraph 96 of this Second Report;

“**Geo-Thermal Purchase Price**” shall have the meaning given to it in paragraph 92 of this Second Report;

“**Geo-Thermal System**” has the meaning given to it in paragraph 90 of this Second Report;

“**Geo-Thermal System Marketing Process**” shall have the meaning given to it in paragraph 97 of this Second Report;

“**Geo-Thermal System Proceeds Charge**” shall have the meaning given to it in paragraph 90 of this Second Report;

“**Geo-Thermal Unit(s)**” shall have the meaning given to it in the Disclosure Documentation;

“**Green Loan**” shall have the meaning given to it in paragraph 93 of this Second Report;

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“**Guarantors**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**Harris Sheaffer**” shall have the meaning given to it in paragraph 153 of this Second Report;

“**Holdback Deficiencies**” shall have the meaning given to it in paragraph 179 of this Second Report;

“**Initial Development Budget**” shall have the meaning given to it in paragraph 71 of this Second Report;

“**Irrevocable Direction**” shall have the meaning given to it in paragraph 35g of this Second Report;

“**Janterra**” means Janterra Real Estate Advisors;

“**Latent Defects**” shall have the meaning given to it in paragraph 68 of this Second Report;

“**Latent Defect Schedule**” shall have the meaning given to it in paragraph 69 of this Second Report;

“**Leslieville Assignee**” means an Existing Leslieville Purchaser who is an assignee under an Original Leslieville APS from a Leslieville Assignor;

“**Leslieville Assignor**” means a person who entered into an Original Leslieville APS with UC Leslieville, and assigned such Original Leslieville APS to a person or persons that are now an Existing Leslieville Purchaser;

“**Leslieville Project**” means the Leslieville Project Lands and the 55 unit low-rise residential development located on the Leslieville Project Lands and other improvements and all landscaping and interior decoration, all plant, machinery, improvements and equipment and all other property whether free standing or otherwise, auxiliary or ancillary thereto or connected therewith or added thereto, to be constructed or completed on, above or under the surface of the Leslieville Project Lands;

“**Leslieville Project Holdback Reserve**” shall have the meaning given to it in paragraph 183 of this Second Report;

“**Leslieville Project Lands**” means the lands and premises situate in the City of Toronto, and which is currently municipally known as 50 Curzon Street;

“**Lien Claimants**” shall have the meaning given to it in paragraph 180 of this Second Report;

“**Lien Claims**” shall have the meaning given to it in paragraph 178 of this Second Report;

“**Listing Period**” shall have the meaning given to it in paragraph 143a of this Second Report;

“**Major Event of Default**” shall have the meaning given to it in the Craft Construction Contract or the Craft Development Contract, as applicable;

“**Marketing End Date**” shall have the meaning given to it in paragraph 100 of this Second Report;

“**Marketing Plan**” shall have the meaning given to it in paragraph 145 of this Second Report;

“**May 2016 Assessment**” shall have the meaning given to it in paragraph 158 of this Second Report;

“**Minimum Unit Price**” shall have the meaning given to it in paragraph 101 of this Second Report, and as set out in **Confidential Appendix “B”** to this Second Report, or such other price as may be determined in accordance with the Craft Development Contract or otherwise approved by the Court;

“**MLS**” shall have the meaning given to it in paragraph 145 of this Second Report;

“**Mortgagee Actions**” shall have the meaning given to it in paragraph 186 of this Second Report

“**New APS**” means an agreement of purchase and sale between UC Leslieville by the Construction Receiver and an Opt-In Leslieville Purchaser for a Unit, substantially in the form of Schedule “C-1” to the Purchaser Package Approval Order;

“**New Leslieville Purchasers**” shall have the meaning given to it in paragraph 31e of this Second Report;

“**Old Deposit**” shall have the meaning given to it in paragraph 35g of this Second Report;

“**ONHWPA**” means the *Ontario New Home Warranties Plan Act* (Ontario) and all regulations prescribed thereunder, as may be amended from time to time;

“**Opt-In Deadline**” shall have the meaning given to it in paragraph 54 of this Second Report;

“**Opt-In Leslieville Purchaser**” shall have the meaning given to it in paragraph 31d of this Second Report;

“**Opt-In Letter**” shall have the meaning given to it in paragraph 35b of this Second Report;

“**Opt-In Package**” shall have the meaning given to it in paragraph 55 of this Second Report;

“**Opt-In Threshold**” shall have the meaning given to it in paragraph 115a of this Second Report;

“**Opt-Out Leslieville Purchaser**” shall have the meaning given to it in paragraph 57 of this Second Report;

“**Original Beach APS**” shall have the meaning given to it in paragraph 12 of this Second Report;

“**Original Disclosure Documentation**” shall have the meaning given to it in paragraph 48 of this Second Report;

“**Original Leslieville APS**” shall have the meaning given to it in paragraph 19 of this Second report;

“**Outside Date**” shall have the meaning given to it in paragraph 70b of this Second Report;

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“**Parking Unit**” means each parking unit in the Condominium to be registered against the Leslieville Project Lands;

“**Period**” shall have the meaning given to it in paragraph 195 of this Second Report;

“**Premium**” shall have the meaning given to it in paragraph 31g of this Second Report;

“**Proceeds of Realization**” means the net proceeds derived from the use, sale or other disposition of the Leslieville Project;

“**Project Monitor**” shall have the meaning given to in the Craft Development Contract and the Craft Development Contract;

“**Project Monitor Engagement**” shall have the meaning given to it in paragraph 79 of this Second Report;

“**Projects**” shall have the meaning given to it in paragraph 178 of this Second Report;

“**Property**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**Property Interest Waiver**” shall have the meaning given to it in paragraph 134 of this Second Report;

“**Proposals**” shall have the meaning given to it in paragraph 136 of this Second Report;

“**Proposal Summary**” shall have the meaning given to it in paragraph 139 of this Second Report;

“**Proposed Settlement**” shall have the meaning given to it in paragraph 8 of this Second Report;

“**Purchaser Information Package**” shall have the meaning given to it in paragraph 35 of this Second Report;

“**Purchaser Package Approval Order**” shall have the meaning given to it in paragraph 13a of this Second Report;

“**Purchasers’ Premium Charge**” shall have the meaning given to it in paragraph 109 of this Second Report;

“**R&D**” shall have the meaning given to it in paragraph 195 of this Second Report;

“**Receiver**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**Receivership Administration Order**” shall have the meaning given to it in paragraph 13c of this Second Report;

“**Receivership Proceeding**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**Redemption Order**” shall have the meaning given to it in paragraph 6 of this Second Report;

“**Registered Mortgage**” shall have the meaning given to it in paragraph 173b of this Second Report;

“**Replacement HVAC System**” shall have the meaning given to it in the Disclosure Documentation;

“**Residual Closing Monies**” shall have the meaning given to it in paragraph 152 of this Second Report;

“**RFP**” shall have the meaning given to it in paragraph 136 of this Second Report;

“**Riverdale APS**” shall have the meaning given to it in paragraph 149 of this Second Report;

“**Riverdale Project**” is the project described in Section 4.0 of this Second Report;

“**Riverdale Purchasers**” shall have the meaning given to it in paragraph 148 of this Second Report;

“**Second Report**” shall have the meaning given to it in paragraph 13 of this Second Report;

“**Security Opinions**” shall have the meaning given to it in paragraph 175 of this Second Report;

“**Senior Indebtedness**” shall have the meaning given to it in paragraph 164 of this Second Report;

“**Settled Amounts**” shall have the meaning given to it in paragraph 186 of this Second Report;

“**Settlement Approval Order**” shall have the meaning given to it in paragraph 13a of this Second Report;

“**Settlement Conditions**” shall have the meaning given to it in paragraph 42 of this Second Report;

“**Settlement Definitive Documents**” shall have the meaning given to it in paragraph 31 of this Second Report;

“**Settlement Framework**” shall have the meaning given to it in paragraph 30 of this Second Report;

“**Settlement Notice Letter**” shall have the meaning given to it in paragraph 35a of this Second Report;

“**Settlement Orders**” shall have the meaning given to it in paragraph 42c of this Second Report;

“**Settlement Orders Outside Date**” shall have the meaning given to it in paragraph 42 of this Second Report;

“**Settlement Parties**” shall have the meaning given to it in paragraph 8 of this Second Report;

“**Standard Form Sale Agreement**” shall have the meaning given to it in paragraph 98 of this Second Report;

“**Storage Unit**” means each storage unit in the Condominium to be registered against the Leslieville Project Lands;

“**Subordination Clause**” shall have the meaning given to it in paragraph 134 of this Second Report;

“**Subsequent Sale Transaction**” shall have the meaning given to it in paragraph 101 of this Second Report;

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“**Syndicate**” means Canadian Imperial Bank of Commerce, Canadian Western Bank, and Laurentian Bank of Canada, or their assignees, as represented by the Administrative Agent;

“**Syndicate Charge**” shall have the meaning given to it in paragraph 83g of this Second Report;

“**Syndicate Construction Loan Agreement**” shall have the meaning given to it in paragraph 77 of this Second Report;

“**Syndicate Construction Loan**” shall have the meaning given to it in paragraph 83 of this Second Report;

“**Syndicate Construction Loan Obligations**” shall have the meaning given to it in the definitions schedule to the Settlement Approval Order;

“**Syndicate COR Deferred Fee**” shall have the meaning given to it in paragraph 87 of this Second Report;

“**Syndicate COR Deferred Fee Charge**” shall have the meaning given to it in paragraph 87 of this Second Report;

“**Syndicate Default Funded Amount**” shall have the meaning given to it in paragraph 88 of this Second Report;

“**Syndicate Loan Default Charge**” shall have the meaning given to it in paragraph 88 of this Second Report;

“**Syndicate Pre-Filing Credit Agreement**” shall have the meaning given to it in paragraph 162 of this Second Report;

“**Syndicate Pre-Filing Secured Obligations**” means the secured obligations owing by the Debtors to the Syndicate under the Syndicate Pre-Filing Credit Agreement;

“**Tarion**” means Tarion Warranty Corporation;

“**Tarion Addendum**” means the addendum to the Standard Form Sale Agreement and New APS from Tarion Warranty Corporation;

“**Tarion Bond**” means bond no. 10030498 dated May 19, 2011 in the original amount of \$1.26 million issued by Travelers in favour of Tarion in respect of the Leslieville Project, as amended from time to time; attached as **Appendix “N”** to this Second Report;

“**Tarion Residual Charge**” shall have the meaning given to it in paragraph 108b of this Second Report;

“**Tarion Warranty Charge**” shall have the meaning given to it in paragraph 108a of this Second Report;

“**Terra Firma**” means Terra Firma Capital Corporation;

“**Terra Firma Commitment Letter**” shall have the meaning given to it in paragraph 172 of this Second Report;

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“**Terra Firma Letter of Intent**” shall have the meaning given to it in paragraph 172 of this Second Report;

“**Terra Firma Indebtedness**” means the indebtedness owed by the Debtors to Terra Firma pursuant to the Terra Firma Commitment Letter;

“**Terra Firma Motion**” shall have the meaning given to it in paragraph 6 of this Second Report;

“**TF Cost Overrun Agreement**” shall have the meaning given to it in Section 2.12 of this Second Report;

“**TF Cost Overrun Agreement Charge**” shall have the meaning given to it in paragraph 107 of this Second Report;

“**TF Cost Overrun Funded Amount**” means the amount of funds advanced by Terra Firma pursuant to the TF Cost Overrun Agreement;

“**Travelers**” means Travelers Guarantee Company of Canada;

“**Travelers Cash Collateral**” shall have the meaning given to it in paragraph 1682 of this Second Report;

“**Travelers GSA**” shall have the meaning given to it in paragraph 170 of this Second Report;

“**Travelers Master Excess Claims Policy**” shall have the meaning given to it in paragraph 166 of this Second Report

“**Travelers Mortgage**” shall have the meaning given to it in paragraph 170 of this Second Report;

“**Travelers Secured Obligations**” means all obligations owed or owing by UC Leslieville to Travelers from time to time under or in connection with the Travelers Master Excess Claims Policy and the Tarion Bond pursuant to the UC Leslieville Indemnity Agreement.

“**UC Beach**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**UC Leslieville**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**UC Riverdale**” shall have the meaning given to it in paragraph 1 of this Second Report;

“**UC Leslieville Indemnity Agreement**” shall have the meaning given to it in paragraph 169 of this Second Report

“**Ultimate Rescission Bar Date**” shall have the meaning given to it in paragraph 115 of this Second Report;

“**Units**” shall have the meaning given to it in paragraph 18 of this Second Report, and as more particularly defined in the Settlement Approval Order;

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“**Unregistered Mortgage**” shall have the meaning given to it in paragraph 173a of this Second Report;

“**Unsold Unit**” shall have the meaning given to it in paragraph 98 of this Second Report;

“**Updated Proposals**” shall have the meaning given to it in paragraph 136 of this Second Report;

“**URI**” means Urban Renaissance Inc.;

“**UTMI**” means Urbancorp Toronto Management Inc.

“**Vacant Lot**” shall have the meaning given to it in paragraph 18 of this Second Report;

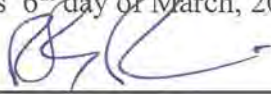
“**Vacant Lot Conditions**” shall have the meaning given to them in the Craft Development Contract;

“**Vendor**” has the meaning given to it pursuant to the ONHWPA; and

“**Waterfall**” shall have the meaning given to it in paragraph 73a ii of this Second Report, and more particularly set out in the Settlement Approval Order.

TAB B

This is Exhibit "B" to the Affidavit of
Glenn Watchorn, sworn before me
this 6th day of March, 2018

A handwritten signature in blue ink, appearing to be 'G. Watchorn', written over a horizontal line.

A Commissioner, etc.

Court File No. CV-16-11409-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

CANADIAN IMPERIAL BANK OF COMMERCE

Applicant

- and -

**URBANCORP (LESLIEVILLE) DEVELOPMENTS INC.,
URBANCORP (RIVERDALE) DEVELOPMENTS INC., &
URBANCORP (THE BEACH) DEVELOPMENTS INC.**

Respondents

**APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*,
R.S.C. 1985, c. B-3, as amended, section 68 of the *Construction Lien Act*, R.S.O. 1990, c.
C.30, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43**

NOTICE OF MOTION

Terra Firma Capital Corporation (“**Terra Firma**”) will make a Motion to a judge of the Commercial List on a date to be set at a 9:30 appointment or as soon after that time as the motion can be heard at 330 University Avenue, 8th Floor, and Toronto, Ontario.

PROPOSED METHOD OF HEARING: The Motion is to be heard:

- in writing under subrule 37.12.1(1) because it is (*insert one of* on consent, unopposed *or* made without notice);
- in writing as an opposed Motion under subrule 37.12.1(4);
- orally.

THE MOTION IS FOR:

1. An Order that, upon the payment by Terra Firma of all prior ranking creditors plus the fees and expenses of Alvarez & Marsal Canada Inc. in its capacity as the Court Appointed Receiver of the Respondents as those fees and expenses are approved by this court, Terra Firma has redeemed the interest of the Respondents and the Receivership of the Respondents is terminated;
2. An Order declaring that the interests of persons who have executed agreements of purchase and sale that have not closed with the Respondents or any of them are subordinate to the interest of Terra Firm in the property of the Respondents;
3. An Order vesting in Terra Firma all right, title and interest of the Respondents in any property; and
4. Such further and other relief as this Court deems just.

THE GROUNDS FOR THE MOTION ARE:

1. Terra Firma is a secured creditor of the Respondents, with an interest that is subordinate to that of Canadian Imperial Bank of Commerce (“CIBC”) on behalf of a syndicate and to Travelers Guarantee Company of Canada pursuant to real property and personal property registration;
2. There are also other creditors with claims with statutory priority to that of CIBC, Travelers and Terra Firma, such as the City of Toronto for unpaid municipal taxes, and lien claimants for the value of unpaid holdback;
3. The value of the Respondents’ property is substantially less than the amount owed to Terra Firma in conjunction with all prior-ranking claims of secured and statutory creditors;

4. The progress of this receivership is estimated by the Applicant and by Alvarez & Marsal Canada Inc. in its capacity as the Receiver to cost up to 1.5 million dollars to analyse and report on what should be done with the Respondents' property and then up to a further 1.5 million dollars to then execute on a proposed course of action, which amounts will substantially if not completely eliminate any chance for Terra Firma for recovery on the amounts that is owed by the Respondents;
5. Terra Firma is prepared to pay all amounts owing by the Respondents to creditors of the Respondents whose interests rank prior to that of Terra Firma in order that Terra Firma can then attempt to maximize value and recovery on other collateral without the further expense of the Court Appointed Receiver;
6. The interests of persons with agreements of purchase and sale that have not closed with the Respondents or any of them are subordinate to the interest of Terra Firma, both by virtue of lack of registration within the meaning of the *Land Titles Act* and also by the express terms of those agreements of purchase and sale in which such persons subordinated their interest to "any mortgages arranged by the [Respondents] and any advances thereunder from time to time" and further that such persons had "not acquired any equitable or legal interest in the" property to be purchased;
7. Section 93 of the *Land Titles Act*;
8. Section 100 of the *Courts of Justice Act*; and
9. Such further and other grounds as counsel may advise and this Court accepts.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The Affidavit of Glenn Watchorn, sworn July 15, 2016 and the exhibits thereto;
and
2. Such further and other materials counsel may advise and this Court may permit.

July 15, 2016

GOLDMAN SLOAN NASH & HABER LLP

Barristers & Solicitors
480 University Avenue
Suite 1600
Toronto, ON M5G 1V2

R. Brendan Bissell

LSUC #40354V
Tel.: (416) 597-6489
Fax: (416) 597-3370

Solicitors for Terra Firma Capital Corporation

To: The Service list

BETWEEN
CANADIAN IMPERIAL BANK OF COMMERCE
Applicant

- and -

Court File No. CV-16-11409-00CL
URBANCORP (LESLIEVILLE) DEVELOPMENTS INC. et al.
Respondents

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

Proceedings commenced at Toronto

NOTICE OF MOTION

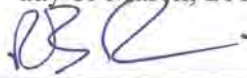
GOLDMAN SLOAN NASH & HABER LLP
Barristers & Solicitors
480 University Avenue, Suite 1600
Toronto, Ontario
M5G 1V2

R. Brendan Bissell [LSUC No. 40354V]
Email: bissell@gsnh.com
Tel: (416) 597-6489
Fax: (416) 597-3370

Lawyers for Terra Firma Capital Corporation

TAB C

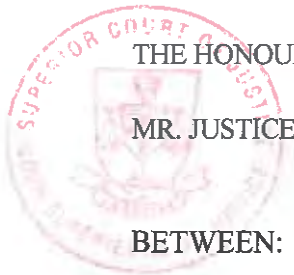
This is Exhibit "C" to the Affidavit of
Glenn Watchorn, sworn before me
this 6th day of March, 2018



A Commissioner, etc.

Court File No. CV-16-11409-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**



THE HONOURABLE)

TUESDAY, THE 2nd

MR. JUSTICE NEWBOULD)

DAY OF MAY, 2017)

BETWEEN:

CANADIAN IMPERIAL BANK OF COMMERCE

Applicant

- and -

**URBANCORP (LESLIEVILLE) DEVELOPMENTS INC.,
URBANCORP (RIVERDALE) DEVELOPMENTS INC., &
URBANCORP (THE BEACH) DEVELOPMENTS INC.**

Respondents

APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, section 68 of the *Construction Lien Act*, R.S.O. 1990, c. C.30, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43

**SETTLEMENT APPROVAL ORDER
(RE: LESLIEVILLE PROJECT)**

THIS MOTION, made by Alvarez & Marsal Canada Inc. (“**A&M**”), in its capacity as receiver and manager (in such capacity, the “**Receiver**”), pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (“**BIA**”), and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c.C.43, as amended, and in its capacity as construction lien trustee (in such capacity, the “**Construction Lien Trustee**”), pursuant to section 68 of the *Construction Lien Act*, R.S.O. 1990, c. C.30, as amended (“**CLA**”) (the Receiver, together with the Construction Lien Trustee, the “**Construction Receiver**”), of all of the assets, undertakings, and property acquired for, or used in relation to the business, including all proceeds thereof (the “**Property**”) of Urbancorp (Leslieville) Developments Inc. (“**UC Leslieville**”), Urbancorp

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(Riverdale) Developments Inc. (“**UC Riverdale**”) and Urbancorp (The Beach) Developments Inc. (“**UC Beach**”, together with UC Riverdale, and UC Leslieville, the “**Debtors**”), for an order approving various agreements and arrangements in order to give effect to a proposed settlement amongst the Syndicate, Terra Firma, Craft, and the Ad Hoc Leslieville Purchasers (each as defined in **Schedule “A”** hereto, and collectively, the “**Settlement Parties**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion and the second report of the Construction Receiver dated April 21, 2017 (the “**Second Report**”) and on hearing the submissions of counsel for the Construction Receiver, the Syndicate, Terra Firma, Craft, the Ad Hoc Leslieville Purchasers, Tarion, and Travelers, and the counsel on the counsel slip, attached, no one else appearing for any other person on the service list although properly served as appears from the affidavit of service of Kelly Peters sworn April 28, 2017, filed,

DEFINITIONS

1. **THIS COURT ORDERS** that capitalized terms shall have the meanings given to them in **Schedule “A”** hereto.

CONDITION PRECEDENT TO THIS ORDER

2. **THIS COURT ORDERS** that this Order will only become effective upon the filing by the Construction Receiver with the Court of a certificate confirming the satisfaction or waiver by the Settlement Parties of the Opt-In Threshold no later than two Business Days after the Ultimate Rescission Bar Date, or such later date as may be agreed to by the Settlement Parties. The date of the filing of such certificate shall be the Effective Date.

AUTHORITY TO ENTER INTO AGREEMENTS AND DOCUMENTS FOR AND ON BEHALF OF UC LESLIEVILLE

3. **THIS COURT ORDERS** that the Construction Receiver is hereby authorized to execute such agreements authorized by paragraphs 4, 8, 10, 25, 26, 27, 28, 31 and 41 of this Order in the name of and for and on behalf of UC Leslieville, and not in its personal or corporate

capacity, and shall be without any liability on the part of the Construction Receiver or its directors, officers, agents and employees.

SALE OF UNITS TO OPT-IN LESLIEVILLE PURCHASERS

4. **THIS COURT ORDERS AND DECLARES** that each sale transaction contemplated by each New APS to be entered into between UC Leslieville and an Opt-In Leslieville Purchaser (each such transaction, a “**New APS Transaction**”) is hereby approved, with such non-material amendments as the Construction Receiver may deem necessary or desirable. The Construction Receiver is hereby authorized and directed to take such additional steps and execute and deliver such additional documents as may be necessary or desirable for the completion of each New APS Transaction and for the conveyance of the applicable Unit to the applicable Opt-In Leslieville Purchaser.

OPT-IN LESLIEVILLE PURCHASERS’ PREMIUM CHARGE

5. **THIS COURT ORDERS** that each Opt-In Leslieville Purchaser shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the “**Purchasers’ Premium Charge**”) on the Leslieville Project as security for the reimbursement of the amount of the Premium paid by such Opt-In Leslieville Purchaser pursuant to its New APS. The Purchasers’ Premium Charge shall have the priority set out in paragraph 49 hereof.

SALE OF UNSOLD UNITS TO NEW PURCHASERS

6. **THIS COURT ORDERS** that Craft is hereby authorized to market each Unit that is not otherwise sold to an Opt-In Leslieville Purchaser (each, an “**Unsold Unit**”) pursuant to the Marketing Plan approved by the Construction Receiver, the Syndicate, and Terra Firma in accordance with the Craft Development Contract or as otherwise approved by the Court.

7. **THIS COURT ORDERS** that the form of Standard Form Sale Agreement to be offered to prospective purchasers of Unsold Units is hereby approved, with such non-material amendments as the Construction Receiver may deem necessary or desirable (including, without limitation, additional provisions relating to any non-resident or foreign purchaser taxes as may be

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introduced after the date hereof), provided that the purchase price for an Unsold Unit shall be not less than the Minimum Unit Price.

8. **THIS COURT ORDERS AND DECLARES** that each sale transaction contemplated by each Standard Form Sale Agreement to be entered into between UC Leslieville and a New Leslieville Purchaser (each such transaction, a “**Subsequent Sale Transaction**”) is hereby approved, and the execution of the Standard Form Sale Agreement by the Construction Receiver is hereby authorized and approved. The Construction Receiver is hereby authorized and directed to take such additional steps and execute and deliver such additional documents as may be necessary or desirable for the completion of each Subsequent Sale Transaction and for the conveyance of the applicable Unsold Unit to each New Leslieville Purchaser, including for greater certainty, the Tarion Addendum and the Disclosure Documentation (as approved pursuant to the Purchaser Package Approval Order).

FUNDING FAILURE

9. **THIS COURT ORDERS** that, notwithstanding anything to the contrary in the New APS or Standard Form Sale Agreement (including the Tarion Addendum), if at any time the Construction Receiver determines in its sole discretion that a Funding Failure has occurred then, provided that no Opt-In Purchaser or New Leslieville Purchaser has entered into occupancy of his/her Unit pursuant to the terms of his/her New APS or Standard Form Sale Agreement, as the case may be, the Construction Receiver is hereby authorized to deliver to each Opt-In Leslieville Purchaser and New Leslieville Purchaser a Funding Failure Notice, and upon the delivery of such Funding Failure Notice: (a) the authority of the Construction Receiver to execute each such New APS and Standard Form Sale Agreement is withdrawn and each such New APS and Standard Form Sale Agreement is hereby deemed terminated and null and void and of no force and effect as a result of the Funding Failure, and (b) the Construction Receiver shall only return (i) to each Opt-In Leslieville Purchaser, the New Deposit paid by such Opt-In Leslieville Purchaser, and (ii) to each New Leslieville Purchaser, all deposit monies paid by the New Leslieville Purchaser, in each case, together with any interest required by law, and no other amounts, and (c) the Opt-In Purchasers and the New Leslieville Purchasers shall have no claim

of any kind whatsoever against the Construction Receiver (in its personal capacity, corporate capacity or otherwise) as a result of a Funding Failure.

VESTING OF RESIDENTIAL UNITS

10. **THIS COURT ORDERS** that the Construction Receiver is hereby authorized and directed to deliver transfers/deeds in the form prescribed by the *Land Registration Reform Act* (but excluding the implied covenants thereunder) duly executed (or deemed to be executed through electronic signature) by the Construction Receiver (each a "Transfer/Deed") with respect to each Unit to be conveyed pursuant to a New APS or a Standard Form Sale Agreement, as applicable, in favour of each Opt-In Leslieville Purchaser or New Leslieville Purchaser, as applicable.

11. **THIS COURT ORDERS AND DECLARES** that, upon the registration in the Land Titles Division of the Toronto Land Registry Office (No. 66) of each Transfer/Deed in respect of a Unit, all of UC Leslieville's right, title and interest in and to the Unit described in the Transfer/Deed shall vest absolutely in the transferee named in such Transfer/Deed, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims with respect to such Unit (including, without limitation, the claims of all Existing Leslieville Purchasers and Leslieville Assignors), whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, encumbrances, title retention agreements, each and every Original Leslieville APS, judgments, adverse claims or interests, exceptions, reservations, easements, encroachments, servitudes, restrictions on use, any right of occupancy, any matter capable of registration against title, options, rights of first refusal or similar rights, rights of pre-emption or privilege or any contract creating any of the foregoing (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by this Order and the Order of Mr. Justice Newbould dated May 31, 2016; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on **Schedule "B"** hereto (all of which are collectively referred to as the "**Encumbrances**").

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which term shall not include the permitted encumbrances, easements and restrictive covenants listed on **Schedule "C"** (the "**Permitted Encumbrances**") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the applicable Unit referenced in a Transfer/Deed are hereby expunged and discharged as against such Unit.

12. **THIS COURT ORDERS** that, upon the registration in the Land Titles Division of the Toronto Land Registry Office (No. 66) of each Transfer/Deed in respect of a Unit, the Land Registrar is hereby directed to enter the transferee named in such Transfer/Deed as the owner of the Unit described in such Transfer/Deed in fee simple, and is hereby directed to delete and expunge from title to the Unit described in each such Transfer/Deed all of the Claims listed in **Schedule "B"** hereto, including such further Claims as may have arisen and/or been registered against title to such Unit as more particularly set out by way of solicitor's statement or affidavit annexed to such Transfer/Deed (as contemplated by **Schedule "B"**), and such solicitor's statement will also confirm, in respect of such Subsequent Sale Transactions, that the Minimum Unit Price has been satisfied.

REPUDIATION AND TERMINATION OF EACH ORIGINAL LESLIEVILLE APS

13. **THIS COURT ORDERS** that the Construction Receiver be and is hereby authorized to repudiate each and every Original Leslieville APS, without a requirement to deliver a written notice, with such repudiation to be effective (a) in respect of each Opt-Out Leslieville Purchaser and each Unpaid Leslieville Assignor, on the Effective Date, and (b) in respect of each Opt-In Leslieville Purchaser, on either (i) the date of the registration of the applicable Transfer/Deed on the closing of the applicable New APS Transaction, or (ii) the date of the termination of the New APS in accordance with its term or deemed termination of the New APS in accordance with paragraph 9 of this Order (each such date, a "**Repudiation Date**").

14. **THIS COURT ORDERS AND DECLARES** that as a result of the repudiation by the Construction Receiver pursuant to paragraph 13 of this Order, each Original Leslieville APS is not capable of performance and may be terminated by each Existing Leslieville Purchaser. Notice of the termination by each Existing Leslieville Purchaser of their Original Leslieville APS shall be deemed to be provided to the Construction Receiver on, and effective as of, the applicable Repudiation Date. Notwithstanding the termination of such Original Leslieville

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APS, any claim against Tarion or Travelers shall be dealt with in accordance with paragraphs 17 to 19 of this Order.

COMMISSIONS ON AN ORIGINAL LESLIEVILLE APS

15. **THIS COURT ORDERS AND DECLARES** that all Original Co-Operating Brokers shall have no claim, including without limitation a claim for fees or commissions, to any proceeds paid by an Opt-In Leslieville Purchaser on the closing of a New APS Transaction.

NON-RECOURSE AGAINST PROPERTY

16. **THIS COURT ORDERS AND DECLARES** that all Existing Leslieville Purchasers and Leslieville Assignors shall have no right, title, interest, claim or recourse as against any of the Property of the Debtors, and any such claim held by an Existing Leslieville Purchaser or a Leslieville Assignor against the Debtors shall be limited to (a) an unsecured claim against the estate of UC Leslieville, (b) a Tarion Deposit Claim, and (c) an Excess Deposit Insurance Claim, each to the extent available.

RECOURSE FOR DEPOSIT CLAIMS

17. **THIS COURT ORDERS** that any Tarion Deposit Claim or Excess Deposit Insurance Claim asserted against Tarion or Travelers, respectively, shall be dealt with in accordance with the terms of this Order.

18. **THIS COURT ORDERS AND DECLARES** that the following persons shall be authorized and permitted to assert, to the extent available, a Tarion Deposit Claim against Tarion and an Excess Deposit Insurance Claim against Travelers, in each case, only after the Repudiation Date of the applicable Original Leslieville APS as provided pursuant to paragraph 13 of this Order:

- (a) each Unpaid Leslieville Assignor;
- (b) each Opt-Out Leslieville Purchaser, but excluding a Non-Paying Leslieville Assignee; and

- (c) each Opt-In Leslieville Purchaser on the termination of such Opt-In Leslieville Purchaser's New APS as a result of a breach by UC Leslieville and not a breach or default by such Opt-In Leslieville Purchaser.

19. **THIS COURT ORDERS** that, notwithstanding any agreement to the contrary (including, without limitation, the terms of any assignment agreement between a Leslieville Assignee and its Leslieville Assignor):

- (a) each Paid-up Leslieville Assignor shall be forever estopped and enjoined from asserting a Tarion Deposit Claim and Excess Deposit Insurance Claim against Tarion and Travelers in respect of the applicable Original Leslieville APS, respectively; and
- (b) the recourse of each Paid-up Leslieville Assignee who: (i) opts out of the proposed settlement, or (ii) opts in but whose New APS does not close for any reason other than the breach or default of such Paid-Up Leslieville Assignee, in each case, as against each applicable Paid-Up Leslieville Assignor shall be limited to any amounts properly due and owing to such Paid-up Leslieville Assignee pursuant to the terms of the applicable assignment agreement that are not recovered from Tarion and Travelers, respectively.

The foregoing provisions of this paragraph 19 do not extend to Tarion Deposit Claims and Excess Deposit Insurance Claims by any Unpaid Leslieville Assignor or to any claims as between a Non-Paying Leslieville Assignee and its Unpaid Leslieville Assignor.

20. **THIS COURT ORDERS** that the Construction Receiver is hereby authorized and empowered to share information with Tarion and Travelers, including information with respect to Existing Leslieville Purchasers and Leslieville Assignors, as requested by Tarion and Travelers to assist in the administration and processing of Tarion Deposit Claims and Excess Deposit Insurance Claims as set out in this Order. Tarion and Travelers shall have the right to seek advice and directions with respect to the terms of this Order.

TARION CHARGE

21. **THIS COURT ORDERS** that Tarion shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the “**Tarion Charge**”) on the Leslieville Project as security for its obligations under the ONHWPA to the Opt-In Leslieville Purchasers, New Leslieville Purchasers and the Condominium Corporation, provided that the Tarion Charge shall be limited to the Tarion Charge Amount at the time of any distribution of the Proceeds of Realization to Tarion pursuant to paragraph 55 hereof. The Tarion Charge shall have the priority set out in paragraph 49 hereof.

22. **THIS COURT ORDERS** that Tarion shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the “**Tarion Residual Charge**”) on the Leslieville Project as further security for any of its obligations under the ONHWPA to the Opt-In Leslieville Purchasers, New Leslieville Purchasers and the Condominium Corporation, provided that the Tarion Residual Charge shall be limited to the Tarion Residual Reserve Amount at the time of any distribution of the Proceeds of Realization to Tarion pursuant to paragraph 55 hereof. The Tarion Charge shall have the priority set out in paragraph 49 hereof.

TRAVELERS EXCESS INSURANCE POLICY AND CASH COLLATERAL

23. **THIS COURT ORDERS AND DECLARES** that, subject to payment of the premiums thereunder, the Travelers Master Excess Claims Policy is in full force and effect notwithstanding this Receivership Proceeding.

24. **THIS COURT ORDERS** that, notwithstanding anything to the contrary contained in this Order, none of the Court Ordered Charges shall have priority over Travelers with respect to the Travelers Cash Collateral and that Travelers shall be entitled to exercise its rights and remedies against the Travelers Cash Collateral from time to time to satisfy outstanding Travelers Secured Obligations as they arise, including the payment of any outstanding premiums under the Travelers Master Excess Claims Policy. The Travelers Mortgage shall have the priority set out in paragraphs 52(d) and 55.

CRAFT CONSTRUCTION CONTRACT

25. **THIS COURT ORDERS AND DECLARES** that the Craft Construction Contract is hereby approved, and the execution and delivery of the Craft Construction Contract by the Construction Receiver is hereby ratified, authorized and approved. The Construction Receiver is hereby authorized and directed to take such additional steps and execute and deliver such additional documents as may be necessary or desirable from time to time to give effect to the Craft Construction Contract, including without limitation, the entering into, and execution and delivery of, any non-material amendments to the Craft Construction Contract as the Construction Receiver may deem necessary or desirable.

ENGAGEMENT OF PROJECT MONITOR

26. **THIS COURT ORDERS AND DECLARES** that the Project Monitor Engagement is hereby approved, and the execution and delivery of the Project Monitor Engagement by the Construction Receiver is hereby authorized and approved. The Construction Receiver is hereby authorized and directed to take such additional steps and execute and deliver such additional documents as may be necessary or desirable from time to time to give effect to the Project Monitor Engagement, including without limitation, the entering into, and execution and delivery of, any non-material amendments to the Project Monitor Engagement as the Construction Receiver may deem necessary or desirable.

CRAFT DEVELOPMENT CONTRACT

27. **THIS COURT ORDERS AND DECLARES** that the Craft Development Contract (which includes, without limitation, the requirement for the provision of the Craft Cash Collateral by Craft and the payment of interest thereon, and the payment of an Earned Management Fee, Deferred Management Fee and Craft Success Fee), is hereby approved and the execution and delivery of the Craft Development Contract by the Construction Receiver is hereby ratified, authorized and approved, with such non-material amendments as the Construction Receiver may deem necessary or desirable from time to time.

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28. **THIS COURT ORDERS** the Construction Receiver is hereby authorized to take such additional steps and execute and deliver such additional documents contemplated by the Craft Development Contract, including without limitation, any and all necessary site plan and condominium applications, plan of subdivision applications, application for part lot control exemption by-laws, and other similar application and agreements in order for Craft to perform the Development Services pursuant to the Craft Development Contract.

29. **THIS COURT ORDERS** that Craft shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the "**Craft Deferred Management Fee Charge**") on the Leslieville Project as security for the payment of the Deferred Management Fee, provided such Deferred Management Fee is earned in accordance with the Craft Development Contract. The Craft Deferred Management Fee Charge shall have the priority set out in paragraph 49 hereof.

30. **THIS COURT ORDERS** that Craft shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the "**Craft Success Fee Charge**") on the Leslieville Project as security for the payment of the Craft Success Fee, provided such Craft Success Fee is earned in accordance with the Craft Development Contract. The Craft Success Fee Charge shall have the priority set out in paragraph 49 hereof.

VACANT LOT

31. **THIS COURT ORDERS** that, subject to the satisfaction of the Vacant Lot Conditions as set out in the Craft Development Contract, the Construction Receiver is hereby authorized and directed to execute and deliver a Transfer/Deed with respect to the Vacant Lot in favour of Craft or such transferee as designated by Craft in writing to the Construction Receiver.

32. **THIS COURT ORDERS AND DECLARES** that upon the registration in the Land Titles Division of the Toronto Land Registry Office (No. 66) of the Transfer/Deed in respect of the Vacant Lot, all of UC Leslieville's right, title and interest in and to the Vacant Lot as more particularly described in the Transfer/Deed shall vest absolutely in the transferee named in such Transfer/Deed, free and clear of and from any and all Encumbrances and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Vacant Lot are hereby expunged and discharged as against the Vacant Lot.

33. **THIS COURT ORDERS** that, upon the registration in the Land Titles Division of the Toronto Land Registry Office (No. 66) of a Transfer/Deed in respect of the Vacant Lot, the Land Registrar is hereby directed to enter the transferee named in any such Transfer/Deed as the owner of the Vacant Lot in fee simple, and is hereby directed to delete and expunge from title to the Vacant Lot as described in such Transfer/Deed, all of the Claims listed in **Schedule “B”** hereto, including such further Claims as may have arisen and/or been registered against title to the Vacant Lot as more particularly set out by way of solicitor’s statement or affidavit annexed to such Transfer/Deed (as contemplated by **Schedule “B”**).

GEO-THERMAL SYSTEM

34. **THIS COURT ORDERS** that Craft is hereby authorized to market the right to operate and, if legally available, the right to own the Geo-Thermal System (if repaired and commissioned in accordance with the Craft Construction Contract) (the “**Craft Collateral**”) pursuant to the Geo-Thermal System Marketing Process to be agreed to by the Construction Receiver and Craft or otherwise approved by the Court.

35. **THIS COURT ORDERS** that any proceeds arising from a transaction in respect of the Craft Collateral (the “**Geo-Thermal System Proceeds**”) shall be applied as follows:

- (a) first, to Craft in the aggregate amount of the Craft Geo-Thermal Costs, if any, and the Geo-Thermal Loan, if any; and
- (a) the balance, if any, to be added to Proceeds of Realization to be distributed pursuant to the Waterfall set out in paragraph 55 of this Order.

36. **THIS COURT ORDERS** that Craft, as security for the Craft Geo-Thermal Costs and the Geo-Thermal Loan, if any, shall be entitled to the benefit of and hereby is granted:

- (a) a first priority fixed and specific charge (the “**Craft Geo-Thermal Proceeds Charge**”) on the Craft Collateral; and
- (b) a fixed and specific charge (the “**Craft Geo-Thermal Charge**”) on the Leslieville Project, and shall have the priority set out in paragraph 49 hereof.

FINANCING OF LESLIEVILLE CONSTRUCTION

37. **THIS COURT ORDERS AND DECLARES** that the Construction Receiver is hereby authorized and empowered to obtain and borrow under credit facilities provided by the Syndicate Construction Loan Agreement and the Craft Loan Agreement, and the execution and delivery by the Construction Receiver of each of such agreements is hereby ratified, authorized and approved. The Construction Receiver is hereby authorized and directed to take such additional steps and execute and deliver such additional documents as may be necessary or desirable from time to time to give effect to the Syndicate Construction Loan Agreement and/or the Craft Loan Agreement, including without limitation, the entering into, and execution and delivery of, any non-material amendments to the Syndicate Construction Loan Agreement and/or the Craft Loan Agreement as the Construction Receiver may deem necessary or desirable.

38. **THIS COURT ORDERS** that the Construction Receiver is hereby authorized and empowered to execute and deliver such mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Syndicate Construction Loan Agreement and the Craft Loan Agreement, respectively, or as may be reasonably required by the Syndicate or Craft pursuant to the terms thereof, and the Construction Receiver is hereby authorized and directed to pay the Syndicate Construction Loan Obligations and Craft Construction Secured Obligations to the Syndicate and Craft, respectively, from the Proceeds of Realization as and when such Proceeds of Realization become available for distribution by the Construction Receiver in accordance with the Waterfall.

39. **THIS COURT ORDERS** that the Syndicate shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the "**Syndicate Charge**") on the whole of the Property of the Debtors as security for the payment of the Syndicate Construction Loan Obligations (which includes any Syndicate COR Funded Amount and any Syndicate COR Commitment Fee), together with interest and charges thereon, as applicable. The Syndicate Charge shall have the priority set out in paragraph 49 hereof.

40. **THIS COURT ORDERS** that Craft shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the "**Craft Construction Charge**") on the Leslieville

Project as security for the payment of the Craft Construction Secured Obligations (which includes any Craft COR Funded Amount and any Craft COR Commitment Fee), together with interest and charges thereon as applicable. The Craft Construction Charge shall have the priority set out in paragraph 49 hereof.

TF COST OVERRUN AGREEMENT

41. **THIS COURT ORDERS AND DECLARES** that the TF Cost Overrun Agreement is hereby approved, and the execution and delivery of the TF Cost Overrun Agreement by the Construction Receiver is hereby ratified, authorized and approved. The Construction Receiver is hereby authorized and directed to take such additional steps and execute and deliver such additional documents as may be necessary or desirable from time to time to give effect to the TF Cost Overrun Agreement, including without limitation, the entering into, and execution and delivery of, any non-material amendments to the TF Cost Overrun Agreement as the Construction Receiver may deem necessary or desirable.

42. **THIS COURT ORDERS** that Terra Firma shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the “**TF Cost Overrun Agreement Charge**”) on the Property of UC Leslieville and UC Beach as security for the payment of the TF Cost Overrun Funded Amount, together with interest and charges thereon. The TF Cost Overrun Agreement Charge shall have the priority set out in paragraph 49 hereof.

43. **THIS COURT ORDERS** that in the event that Terra Firma defaults in funding a Cost Overrun, and either Craft or the Syndicate fund the Construction Receiver for such Cost Overrun or in the case of Craft, pay such Cost Overrun directly in accordance with the provisions of the TF Cost Overrun Agreement, the Craft Construction Contract and/or the Craft Development Contract (such amount, a “**Craft COR Funded Amount**” and a “**Syndicate COR Funded Amount**”, respectively), then subject to applicable law:

- (a) Craft shall be entitled to charge (i) a commitment fee in an amount of up to \$250,000 (the “**Craft COR Commitment Fee**”), and (ii) a deferred fee in the amount equal to 25% of each Craft COR Funded Amount (the “**Craft COR Deferred Fee**”), for each Craft COR Funded Amount paid by Craft; and

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- (b) the Syndicate shall be entitled to charge (i) a commitment fee in an amount of up to \$250,000 (the “**Syndicate COR Commitment Fee**”), and (ii) a deferred fee in the amount equal to 25% of each Syndicate Cost Overrun Funded Amount (the “**Syndicate COR Deferred Fee**”), for each Syndicate COR Funded Amount paid by the Syndicate.

44. **THIS COURT ORDERS** that Craft shall be entitled to add the amount of each Craft COR Funded Amount and each Craft COR Commitment Fee to the principal amount outstanding under the Craft Loan Agreement on the date of the advance of such Craft COR Funded Amount.

45. **THIS COURT ORDERS** that Craft shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the “**Craft COR Deferred Fee Charge**”) on the Leslieville Project as security for the payment of all Craft COR Deferred Fees. The Craft COR Deferred Fee Charge shall have the priority set out in paragraph 49 hereof.

46. **THIS COURT ORDERS** that the Syndicate shall be entitled to add the amount of each Syndicate COR Funded Amount and each Syndicate COR Commitment Fee to the principal amount outstanding under the Syndicate Construction Loan Agreement on the date of the advance of such Syndicate COR Funded Amount.

47. **THIS COURT ORDERS** that the Syndicate shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the “**Syndicate COR Deferred Fee Charge**”) on the whole of the Property of the Debtors as security for the payment of all Syndicate COR Deferred Fees. The Syndicate COR Deferred Fee Charge shall have the priority set out in paragraph 49 hereof.

48. **THIS COURT ORDERS** that in the event that the Syndicate defaults in providing any advance of loans under the Syndicate Construction Loan Agreement which has been requested by the Construction Receiver and for which all conditions precedent thereunder have been satisfied (a “**Defaulted Syndicate Advance**”) and either or both of Craft and Terra Firma fund such Defaulted Syndicate Advance in accordance with the TF Cost Overrun Agreement (such amount, a “**Syndicate Default Funded Amount**”), then Craft and/or Terra

Firma, as the case may be, shall be entitled to the benefit of and hereby is granted a fixed and specific charge (the “**Syndicate Loan Default Charge**”) on the whole of the Property of UC Leslieville and UC Beach as security for the payment of all such Syndicate Default Funded Amounts. The Syndicate Loan Default Charge shall have the priority set out in paragraph 49 hereof.

PRIORITY AND VALIDITY OF CHARGES

49. **THIS COURT ORDERS** that, subject to subparagraph 36(a) and paragraph 53 of this Order, the priorities of the Court Ordered Charges on the Leslieville Project, as among them, shall be as follows:

- (a) **First** – Construction Receiver’s Charge;
- (b) **Second** – Syndicate Charge (to the maximum amount of the Syndicate Construction Loan Obligations, including all applicable principal, interest, fees, charges and costs) and the Syndicate Loan Default Charge (to the maximum amount of all Syndicate Default Funded Amounts, including all applicable interest, fees charges and costs) on a *pari passu* basis;
- (c) **Third** – Construction Receiver’s Borrowings Charge (to the maximum principal amount of \$6.0 million, plus all applicable interest, fees, charges and costs);
- (d) **Fourth** – Craft Construction Charge (to the maximum amount of Craft Construction Secured Obligations, including all applicable principal, interest, fees, charges and costs);
- (e) **Fifth** – Craft Geo-Thermal Charge (to the maximum amount of the Craft Geo-Thermal Costs and Geo-Thermal Loan, if any);
- (f) **Sixth** – Craft Deferred Management Fee Charge (to the maximum amount of the Deferred Management Fee);
- (g) **Seventh** – Tarion Charge;
- (h) **Eighth** – Craft Success Fee Charge (to the maximum amount of the Craft Success Fee);
- (i) **Ninth** – Craft COR Deferred Fee Charge (to the maximum amount of all Craft COR Deferred Fees), and the Syndicate COR Deferred Fee Charge (to the

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maximum amount of all Syndicate COR Deferred Fees), on a *pari passu* and rateable basis;

- (j) **Tenth** – TF Cost Overrun Agreement Charge (to the maximum amount of the TF Cost Overrun Funded Amounts);
- (k) **Eleventh** - Purchasers' Premium Charge (to the maximum amount of the aggregate Premiums paid by all Opt-In Leslieville Purchasers pursuant to their New APS); and
- (l) **Twelfth** – Tarion Residual Charge.

50. **THIS COURT ORDERS** that the filing, registration or perfection of all Court Ordered Charges shall not be required, and that all Court Ordered 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 Court Ordered Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

51. **THIS COURT ORDERS** that the Court Ordered Charges or any of the Definitive Documents in connection with the Construction Receiver's borrowings authorized by this Order or the Appointment Order shall not be enforced without leave of this Court.

52. **THIS COURT ORDERS** that, subject to the priorities among the Court Ordered Charges set out in paragraph 49 of this Order and sections 14.06(7), 81.4(4) and 81.6 of the BIA:

- (a) the Construction Receiver's Charge, the Syndicate Charge, the Syndicate Loan Default Charge and the Construction Receiver's Borrowings Charge shall rank in priority to all Encumbrances, but subordinate in priority to the Travelers Cash Collateral;
- (b) subject to paragraph 53 below, the Craft Geo-Thermal Proceeds Charge shall, as against the Craft Collateral, have the priority set out in subparagraph 36(a);
- (c) subject to paragraph 53 below, the Craft Construction Charge, Craft Geo-Thermal Charge, and the Craft Deferred Management Fee Charge shall rank in priority to all Encumbrances, but subordinate in priority to (i) the Travelers Cash Collateral, (ii) the Holdback Deficiencies (up to the Holdback Reserve),

- (iii) the Priority Realty Claims (up to the Priority Realty Claims Reserve), and
 - (iv) the Syndicate Pre-Filing Secured Obligations;
- (d) subject to paragraph 53 below, the Tarion Charge, the Craft Success Fee Charge, the Craft COR Deferred Fee Charge, the Syndicate COR Deferred Fee Charge, the TF Cost Overrun Agreement Charge, the Purchasers' Premium Charge, the Tarion Residual Charge shall rank in priority to all Encumbrances, but subordinate in priority to (i) the Travelers Cash Collateral, (ii) the Holdback Deficiencies (up to the Holdback Reserve), (iii) the Priority Realty Claims (up to the Priority Realty Claims Reserve), (iv) the Syndicate Pre-Filing Secured Obligation, and (v) the Travelers Secured Obligations secured by the Travelers Mortgage.

53. **THIS COURT ORDERS** that if a Major Event of Default has occurred and is continuing under either of the Craft Construction Contract or the Craft Development Contract, as defined therein, then subject to the terms and conditions as set out in the Craft Construction Contract and/or Craft Development Contract, on the earlier of: (i) notice in writing from the Construction Receiver to Craft as provided in the Craft Development Contract, and (ii) the termination of the Craft Development Contract:

- (a) Craft shall have no right or claim whatsoever to, and is forever barred from claiming, any payments or other consideration that might otherwise be due or become due under the Craft Development Contract and Craft Construction Contract (including, for certainty, the Deferred Compensation and the transfer of the Vacant Lot), except for the payments expressly provided for under such agreements in connection with a termination of such agreements relating to the Construction Work or Development Services actually performed or incurred by Craft or on behalf of Craft under either of such agreements; and
- (b) the repayment of the Craft Construction Secured Obligations, any Craft Geo-Thermal Costs or Geo-Thermal Loan (together with the Craft Construction Charge, the Craft Geo-Thermal Proceeds Charge and the Craft Geo-Thermal Charge) shall automatically be subordinated in priority such that repayment of

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the Craft Construction Secured Obligations and any Craft Geo-Thermal Costs or Geo-Thermal Loan shall only occur after repayment of the Terra Firma Indebtedness.

DISTRIBUTION WATERFALL

54. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, all Proceeds of Realization shall stand in the place and stead of the Leslieville Project, and that as and when the Leslieville Project is sold, all Claims and Encumbrances shall attach to the net Proceeds of Realization with the same priority as they had with respect to the Leslieville Project immediately prior to the transfers as set out and permitted in this Order, as if the Leslieville Project had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the transfers.

55. **THIS COURT ORDERS** that, subject to the receipt of Proceeds of Realization as contemplated by this Order or any subsequent transaction with the Construction Receiver, the Construction Receiver is hereby authorized and directed to distribute from time to time, and without further Order of the Court, the Proceeds of Realization (other than any Geo-Thermal System Proceeds, which shall be distributed in accordance with paragraph 35, and other than the Travelers Cash Collateral, which may be used by Travelers in accordance with paragraph 24) as and when such Proceeds of Realization become available for distribution by the Construction Receiver as follows (the “**Waterfall**”):

- (a) first, to the Construction Receiver, the amount of the Construction Receiver’s Reserve;
- (b) second, on a *pari passu* and rateable basis (i) to the Administrative Agent, the amount of the Syndicate Construction Loan Obligations (including, for certainty, any Syndicate COR Funded Amount and any Syndicate COR Commitment Fee) secured by the Syndicate Charge; and (ii) to Craft and Terra Firma, as applicable, the amount of the Syndicate Default Funded Amounts secured by the Syndicate Loan Default Charge;

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- (c) third, to the Administrative Agent, the amount of the Construction Receiver's obligations owing to the Syndicate for monies borrowed pursuant to the Construction Receiver's Borrowings Charge;
- (d) fourth, to the Construction Receiver, the amount of the Holdback Reserve and the Priority Claims Reserve;
- (e) fifth, to the Administrative Agent, the amount of the Syndicate Pre-Filing Secured Obligations;
- (f) sixth, subject to paragraph 53, to Craft, (i) the amount of the Craft Construction Secured Obligations (including, for certainty, any Craft COR Funded Amount and any Craft COR Commitment Fee) secured by the Craft Construction Charge, and (ii) the Craft Geo-Thermal Costs and Geo-Thermal Loan secured by the Craft Geo-Thermal Charge, and (iii) the Deferred Management Fee secured by the Craft Deferred Management Fee Charge;
- (g) seventh, to Travelers in respect of the Travelers Secured Obligations secured by the Travelers Mortgage, including: (i) the amount of monies paid by Travelers in respect of Excess Deposit Insurance Claims, (ii) as cash collateral, an amount reasonably estimated by Travelers, and approved by the Construction Receiver at the time of distribution, with respect to any remaining potential Excess Deposit Insurance Claims in connection with any Original Leslieville APS, (iii) the amount of monies paid by Travelers to Tarion with respect to Tarion Deposit Claims pursuant to the Tarion Bond, and (iv) as cash collateral, an amount equal to the then outstanding Tarion Bond Amount. For certainty, the foregoing amounts shall be calculated taking into account any then remaining Travelers Cash Collateral. The cash collateral to be paid to Travelers pursuant to this subparagraphs 55(g)(ii) and (iv) hereof is to be held by Travelers upon terms and conditions to be agreed upon by the Construction Receiver, Terra Firma, the Syndicate and Craft or as otherwise ordered by the Court as security for the obligations described in such subparagraphs.

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- (h) eighth, to Tarion, as cash collateral in an amount equal to the Tarion Charge Amount at the time of distribution to Tarion as security for its obligations under the ONHWPA to the Opt-In Leslieville Purchasers, the New Leslieville Purchasers and the Condominium Corporation. The cash collateral to be paid to Tarion pursuant to this subparagraph 55(h) is to be held by Tarion upon terms and conditions to be agreed upon by the Construction Receiver, Terra Firma, the Syndicate and Craft or as otherwise ordered by the Court as security for the obligations described in this paragraph;
- (i) ninth, subject to paragraph 53, to Craft, the amount of the Craft Success Fee secured by the Craft Success Fee Charge;
- (j) tenth, *pari passu* and rateably, to (i) Craft, in the aggregate amount of all Craft COR Deferred Fees, and (ii) the Syndicate, in the aggregate amount of all Syndicate COR Deferred Fees, if applicable;
- (k) eleventh, to Terra Firma, in an amount not exceeding the sum of (i) \$6.5 million on account of the Terra Firma Indebtedness, and (ii) the aggregate of all TF Cost Overrun Funded Amounts secured by the TF Cost Overrun Agreement Charge;
- (l) twelfth, *pari passu* and rateably to (i) Terra Firma (up to the remaining Terra Firma Indebtedness, if any) and (ii) the Opt-In Leslieville Purchasers (for the aggregate amount of the Premiums paid by all Opt-In Leslieville Purchasers pursuant to the New APS), with such amount allocated to the Opt-In Leslieville Purchasers to be distributed on a *pari passu* and rateable basis amongst all Opt-In Leslieville Purchasers; and
- (m) thirteenth, to Tarion and/or the Construction Receiver, as cash collateral in an amount equal to the Tarion Residual Reserve Amount at the time of distribution to Tarion as security for its obligations under the ONHWPA to the Opt-In Leslieville Purchasers, the New Leslieville Purchasers and the Condominium Corporation. The cash collateral pursuant to this subparagraph 55(m) is to be

held by Tarion and/or the Construction Receiver upon terms and conditions to be agreed upon by Tarion, the Construction Receiver, Terra Firma, the Syndicate and Craft or as otherwise ordered by the Court as security for the obligations described in this paragraph;

- (n) fourteenth, to Lien Claimants in respect of the balance of their valid lien claims (other than claims for Holdback Deficiencies), such claims and their respective allocation between the Lien Claimants and the respective Projects to be determined, if necessary, by further order of the Court; and
- (o) the balance, if any, to unsecured creditors of the Debtors on a pro-rata basis, such claims to be determined, if necessary, by further order of the Court.

56. **THIS COURT ORDERS** that, any payments, distributions and disbursements under this Order by the Construction Receiver shall not constitute a “distribution” for the purposes of section 159 of the *Income Tax Act* (Canada), section 270 of the *Excise Tax Act* (Canada), section 107 of the *Corporations Tax Act* (Ontario), section 117(1) of the *Taxation Act, 2007* (Ontario), or any other similar federal or provincial tax legislation (collectively, the “**Tax Statutes**”), and that the Construction Receiver, in making such payments, distributions or disbursements is not “distributing”, nor shall be considered to “distribute” nor to have “distributed”, such funds for the purposes of the Tax Statutes, and shall have no obligation to obtain a clearance certificate in respect of such payments, distributions or disbursements. The Construction Receiver shall not incur any liability under the Tax Statutes in respect of its making any payments ordered or permitted by this Order, and is hereby forever released and discharged from any claims against it under or pursuant to the Tax Statutes or otherwise at law, arising in respect of payments made under this Order and any claims of this nature are hereby forever barred.

CONSTRUCTION LIEN CLAIMS AND HOLDBACK

57. **THIS COURT ORDERS** that, subject to the Waterfall set out in paragraph 55, upon receipt of any Proceeds of Realization, the Construction Receiver is hereby authorized and directed to retain from the Proceeds of Realization the amount of \$1,184,000 (the “**Holdback**”

Reserve) in full and final satisfaction of all claims of the construction lien claimants of the Leslieville Project as set out at **Schedule “D”** hereto (the **“Lien Claimants”**) and their subcontractors, if any, in respect of any deficiencies in the holdbacks required to have been retained by any statutory **“owner”** of the Leslieville Project, as that term is defined in section 1(1) of the CLA that have priority to amounts that were owing to any mortgagee against the Leslieville Project pursuant to Part IV of the CLA (the **“Holdback Deficiencies”**).

58. **THIS COURT ORDERS** that the Construction Receiver is hereby authorized and directed to hold the Holdback Reserve in an interest bearing account for amounts owed to the Lien Claimants for Holdback Deficiencies and the Holdback Reserve shall stand in place and stead of the Leslieville Project, subject to the entirety of claims by the Lien Claimants, and their subcontractors, if any, with respect to Holdback Deficiencies, and all actions or proceedings commenced against UC Leslieville, the Administrative Agent, Travelers, and Terra Firma by the Lien Claimants, and their subcontractors, if any, with respect to the Holdback Deficiencies shall be satisfied by the Holdback Reserve.

59. **THIS COURT ORDERS** that, upon the establishment of the Holdback Reserve by the Construction Receiver, all actions or proceedings commenced by the Lien Claimants as set out at **Schedule “E”** hereto or their subcontractors, if any, as applicable, against UC Leslieville, Terra Firma, the Administrative Agent, and Travelers with respect to: (i) Holdback Deficiencies; (ii) trust or damage claims (if any); or (iii) otherwise claiming priority over any mortgagee (collectively, the **“Mortgagee Actions”**) are hereby dismissed as against UC Leslieville, Terra Firma, the Syndicate, as applicable, on a with prejudice without costs basis.

60. **THIS COURT ORDERS** that, upon settlement of the Holdback Deficiencies owed to the Lien Claimants from the Holdback Reserve, as may be agreed between Terra Firma, Travelers, the Administrative Agent and the Lien Claimants, with the consent of the Construction Receiver (the **“Settled Amounts”**), the Construction Receiver shall bring a motion or motions, as applicable, from time to time, as the Construction Receiver in its sole discretion deems appropriate, to pay the Settled Amounts to each of the Lien Claimants and to pay the amount, if any, by which the Holdback Reserve exceeds the Settled Amounts in accordance with the Waterfall set out in paragraph 55 of this Order.

61. **THIS COURT ORDERS** that this Order is without prejudice to the rights of the Construction Receiver, the Lien Claimants, or any of them, to, at any time, bring a motion(s) to the Court seeking, among other things, payment of their respective claims for Holdback Deficiencies, refer any issues to a Construction Lien Master or any relief with respect to the determination of their claims for Holdback Deficiencies to be paid from the Holdback Reserve.

PRIORITY REALTY TAX CLAIM RESERVE

62. **THIS COURT ORDERS** that, subject to the Waterfall set out in paragraph 55 of this Order, upon receipt of any Proceeds of Realization, the Construction Receiver is hereby authorized and directed to retain from the Proceeds of Realization an amount satisfactory to the Construction Receiver to be held by the Construction Receiver in an interest bearing account on account of any Priority Realty Tax Claims (the “**Priority Realty Tax Claim Reserve**”), and the Priority Realty Tax Claim Reserve shall stand in place and stead of the Property.

ROLE OF CONSTRUCTION RECEIVER

63. **THIS COURT ORDERS** that the obligations of the Construction Receiver with respect to the completion of the Leslieville Project shall be limited only to those obligations specified under the Project Agreements, and, for greater certainty, the Construction Receiver shall have no obligation or responsibility for any onsite supervision, review or certification of the Construction Work or the Development Services completed by Craft, its consultants, subcontractors and/or any other party, in respect of the Leslieville Project. The Construction Receiver shall at all times be entitled to rely only on that information provided by Craft, its consultants and subcontractors, including but not limited to, with respect to information contained in the monthly progress reports provided by Craft to the Construction Receiver, the Project Monitor and the Administrative Agent, regarding the progress of the Construction Work and the Development Services. In exercising its limited mandate under the Project Agreements, the Construction Receiver is hereby authorized, as the Construction Receiver considers it advisable or appropriate, to consult with and rely on any information and advice provided by the Project Monitor. For greater certainty, the Construction Receiver is not a “declarant” within the meaning of the *Condominium Act* (Ontario) and shall not be liable for the obligations of a declarant arising thereunder.

64. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Construction Receiver under the Appointment Order, the Construction Receiver shall not be liable for any act or omission on the part of the Construction Receiver pertaining to the discharge of its duties under this Order, save and except for any claim or liability arising out of gross negligence or wilful misconduct on the part of the Construction Receiver. Nothing in this Order shall derogate from the protections afforded to the Construction Receiver by the BIA, any other federal or provincial legislation, applicable law, or the Appointment Order.

SEALING OF CONFIDENTIAL APPENDIX

65. **THIS COURT ORDERS** that, subject to further order of the Court, **Confidential Appendix "B"** and **Confidential Appendix "C"** to the Second Report shall be sealed, kept confidential, and not form part of the public record, but rather be placed, separate and apart from all other contents of the Court file, in a sealed envelope with a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further order of the Court.

GENERAL

66. **THIS COURT ORDERS** that, notwithstanding:
- (a) the pendency of these proceedings;
 - (b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of the Debtors and any bankruptcy order issued pursuant to any such applications; and
 - (c) any assignment in bankruptcy made in respect of the Debtors;

the vesting of the Vacant Lot, the Units in the applicable persons, the Court Ordered Charges, the reserves, payments, distributions and disbursements made pursuant to this Order, are made free and clear of any Encumbrances, and shall be binding on any trustee in bankruptcy that may be appointed in respect of each Debtor, and shall not be void or voidable by creditors of each Debtor, nor shall they constitute nor be deemed to be a fraudulent preference, assignment,

fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

67. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Construction Receiver and its 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 Construction Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Construction Receiver and its agents in carrying out the terms of this Order.

68. **THIS COURT ORDERS** that the Construction Receiver may apply from time to time to this Court for advice and directions in the discharge of its powers and duties hereunder, including, for greater certainty, with respect to the performance of its or UC Leslieville's obligations under any of the agreements approved herein.

69. **THIS COURT ORDERS** that pursuant to the BIA, section 195, this Order is subject to provisional execution notwithstanding any appeal therefrom.



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LE / DANS LE REGISTRE NO:

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SCHEDULE "A"**DEFINITIONS**

"**A&M**" shall have the meaning given to it in the recitals of this Order;

"**Ad Hoc Leslieville Purchasers**" means the forty-six (46) Existing Leslieville Purchasers represented by Dickinson Wright LLP;

"**Administrative Agent**" means Canadian Imperial Bank of Commerce, in its capacity as administrative agent for the Syndicate under the Syndicate Construction Loan and the Pre-Filing Syndicate Credit Agreement;

"**Appointment Order**" means the order of the Court dated May 31, 2016 appointing A&M as Construction Receiver of all of the Property of the Debtors;

"**BIA**" shall have the meaning given to it in the recitals of this Order;

"**Builder**" has the meaning given to it pursuant to the ONHWPA;

"**Business Days**" means any day except Saturday, Sunday or any day on which banks are generally not open for business in the City of Toronto, Ontario;

"**CLA**" shall have the meaning given to it in the recitals of this Order;

"**Claims**" shall have the meaning given to it in paragraph 11;

"**Condominium**" means the condominium which will be created upon registration of the declaration against the Leslieville Project pursuant to the provisions of the *Condominium Act* (Ontario);

"**Condominium Corporation**" means the condominium corporation for the Condominium;

"**Construction Lien Trustee**" shall have the meaning given to it in the recitals of this Order;

"**Construction Receiver**" shall have the meaning given to it in the recitals of this Order;

"**Construction Receiver's Borrowings Charge**" means the Receiver's Borrowings Charge and the Construction Lien Trustee's Charge as defined in paragraph 22 of the Appointment Order.

"**Construction Receiver's Charge**" shall have the meaning given to it in paragraph 19 of the Appointment Order;

"**Construction Receiver's Counsel**" means Gowlings WLG (Canada) LLP;

"**Construction Receiver's Independent Counsel**" means Blake, Cassels & Graydon LLP;

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“Construction Receiver’s Reserve” means a reserve in an amount satisfactory to the Construction Receiver to serve as cash collateral sufficient to secure the payment of the Professional Expenses;

“Construction Work” shall have the meaning given to it in the Craft Development Contract;

“Cost Overrun” shall the meaning given to it in the TF Cost Overrun Agreement;

“Court Ordered Charges” shall mean the Construction Receiver’s Charge, the Construction Receiver’s Borrowings Charge, the Syndicate Charge, the Craft Construction Charge, the Craft Deferred Management Fee Charge, the Craft Geo-Thermal Proceeds Charge, the Craft Geo-Thermal Charge, the TF Cost Overrun Agreement Charge, the Tarion Charge and the Purchasers’ Premium Charge;

“Craft” means C.R.A.F.T. Development Corporation;

“Craft Cash Collateral” shall have the meaning given to it in the Craft Development Contract.

“Craft Collateral” shall have the meaning given to it in paragraph 34 of this Order;

“Craft Construction Charge” shall have the meaning given to it in paragraph 40 of this Order;

“Craft Construction Contract” means the fixed price construction contract dated April 18, 2017 made between UC Leslieville by the Construction Receiver and Craft for the completion of the construction of the Leslieville Project, and as appended as **Appendix “C”** to the Second Report;

“Craft Construction Secured Obligations” means, collectively (without duplication), (i) the obligations of the Construction Receiver owing to Craft under the Craft Loan Agreement, (ii) all Craft COR Funded Amounts and all Craft COR Commitment Fees earned by the Craft pursuant to the TF Cost Overrun Agreement, (iii) all other amounts, costs or expenses funded to the Construction Receiver or paid by Craft pursuant to the terms of the Craft Construction Contract or Craft Development Contract which are expressly provided thereunder to be loans funded by Craft under the Craft Loan Agreement or costs to be reimbursed from the Proceeds of Realization with the same priority in the Waterfall as loans funded by Craft under the Craft Loan Agreement; and (iv) interest on the Craft Cash Collateral as provided for under the Craft Development Contract.

“Craft COR Commitment Fee” shall have the meaning given to it in paragraph 43(a) of this Order;

“Craft COR Deferred Fee” shall have the meaning given to it in paragraph 43(a) of this Order;

“Craft COR Deferred Fee Charge” shall have the meaning given to it in paragraph 45 of this Order;

“Craft COR Funded Amount” shall have the meaning given to it in paragraph 43 of this Order;

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“Craft Deferred Management Fee Charge” shall have the meaning given to it in paragraph 29 of this Order;

“Craft Development Contract” means the development contract dated April 18, 2017 between UC Leslierville by the Construction Receiver and Craft for the provision by Craft of development services with respect to the Leslierville Project, and as appended as **Appendix “D”** to the Second Report;

“Craft Geo-Thermal Charge” shall have the meaning given to it in paragraph 36(b) of this Order;

“Craft Geo-Thermal Costs” shall have the meaning given to it in the Craft Construction Contract;

“Craft Geo-Thermal Proceeds Charge” shall have the meaning given to it in paragraph 36(a) of this Order;

“Craft Loan Agreement” means the loan agreement dated April 18, 2017 made between the Construction Receiver (as borrower) and Craft (as lender), and as appended as **Appendix “F”** to the Second Report;

“Craft Success Fee” means the fee equal to \$1 million to be paid to Craft in accordance with the Craft Development Contract and the Waterfall;

“Craft Success Fee Charge” shall have the meaning given to it in paragraph 30 of this Order;

“Debtors” shall have the meaning given to it in the recitals of this Order;

“Defaulted Syndicate Advance” shall have the meaning given to it in paragraph 48 of this Order;

“Deferred Commitment Fee” shall have the meaning given to it in the Syndicate Construction Loan Agreement;

“Deferred Compensation” shall have the meaning given to it in the Craft Development Contract;

“Deferred Management Fee” means a management fee equal to \$1,125,000 to be paid to Craft in accordance with the Craft Development Contract and the Waterfall;

“Definitive Documents” shall have the meaning given to it in paragraph 38 of this Order;

“Development Services” shall have the meaning given to it in the Craft Development Contract;

“Disclosure Documentation” means, in respect of the Condominium, the disclosure statement, first year budget statement, declaration, by-laws and rules, proposed condominium management agreement and draft plan of standard condominium;

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“Earned Management Fee” shall have the meaning given to it in the Craft Development Contract to be paid to Craft in accordance with the Craft Development Contract and the Waterfall;

“Effective Date” shall have the meaning given to it in paragraph 2 of this Order;

“Encumbrances” shall have the meaning given to it in paragraph 11 of this Order;

“Excess Deposit Insurance Claim” means an insurance claim made pursuant to the Master Insurance Policy for Excess Condominium Deposits and Upgrade Monies (Policy No. 10031069) dated July 13, 2012 provided by Travelers for purchase price deposits paid to UC Leslieville or UC Leslieville’s solicitor in excess of the Tarion Deposit Claim;

“Existing Leslieville Purchaser” means a person who has entered into an Original Leslieville APS with UC Leslieville, or where such person or persons has/have assigned its/their Original Leslieville APS, the assignee(s) thereof;

“Funding Failure” means the occurrence of any of the following:

- (a) if, at any time and for whatever reason (including by reason of default by Craft or the repair or replacement of any damage or destruction to all or any part of the Leslieville Project), the estimated cost to complete the Construction Work (including rectifying all known Latent Defects and completing all warranty work) and the Development Services, as determined by the Project Monitor, acting reasonably, is greater than the aggregate amount of: (i) all funding available for the Leslieville Project pursuant to the Craft Loan Agreement, the Syndicate Construction Loan Agreement and, to the extent available, the Craft Cash Collateral, and (ii) Terra Firma (or to the extent permitted (or required) under the TF Cost Overrun Agreement, Craft and the Syndicate) declines (or fails) to fund the difference pursuant to the TF Cost Overrun Agreement; or
- (b) if, at any time, a Cost Overrun is not funded by Terra Firma as required under the TF Cost Overrun Agreement (or by Craft or the Syndicate as required or permitted under the TF Cost Overrun Agreement);

“Funding Failure Notice” means a notice in writing providing notice of a Funding Failure delivered by the Construction Receiver to the Opt-In Leslieville Purchasers and New Leslieville Purchasers, as applicable;

“Geo-Thermal Loan” has the meaning given to it in the Craft Development Contract;

“Geo-Thermal System” has the meaning given to it in the Craft Construction Contract;

“Geo-Thermal System Marketing Process” shall have the meaning given to it in the Craft Development Contract;

“Geo-Thermal System Proceeds” shall have the meaning given to it in paragraph 35 of this Order;

“Holdback Deficiencies” shall have the meaning given to it in paragraph 57 of this Order;

“Holdback Reserve” shall have the meaning given to it in paragraph 57 of this Order;

“Latent Defect” means shall have the meaning given to it in the Craft Construction Contract

“Leslieville Assignee” means an Existing Leslieville Purchaser who is an assignee under an Original Leslieville APS from a Leslieville Assignor;

“Leslieville Assignor” means a person who entered into an Original Leslieville APS with UC Leslieville, and assigned such Original Leslieville APS to a person or persons that are now an Existing Leslieville Purchaser;

“Leslieville Project” means the Leslieville Project Lands and the 55 unit low-rise residential development located on the Leslieville Project Lands and other improvements and all landscaping and interior decoration, all plant, machinery, improvements and equipment and all other property whether free standing or otherwise, auxiliary or ancillary thereto or connected therewith or added thereto, to be constructed or completed on, above or under the surface of the Leslieville Project Lands;

“Leslieville Project Lands” means the lands and premises situate in the City of Toronto, and which is currently municipally known as 50 Curzon Street, as more particularly described in Schedule “F” under the heading “Leslieville Project Lands”;

“Lien Claimant” shall have the meaning given to it in paragraph 57 of this Order;

“Major Event of Default” shall have the meaning given to it in the Craft Construction Contract or the Craft Development Contract, as applicable;

“Marketing Plan” shall have the meaning given to it in the Craft Development Contract;

“Minimum Unit Price” shall mean the minimum sale price for an Unsold Unit as set out in Confidential Appendix “B” to the Second Report, or such other price as maybe determined in accordance with the Craft Development Contract or otherwise approved by the Court;

“Mortgagee Action” shall have the meaning given to it in paragraph 59 of this Order;

“New APS” means an agreement of purchase and sale between UC Leslieville by the Construction Receiver and an Opt-In Leslieville Purchaser for a Unit, substantially in the form of Schedule “B” to the Purchaser Package Approval Order;

“New APS Transaction” shall have the meaning given to it in paragraph 4 of this Order;

“New Leslieville Purchaser” means a person who is a purchaser of an Unsold Unit pursuant to a Standard Form Sale Agreement;

“Non-Paying Leslieville Assignee” means a Leslieville Assignee who is an Opt-Out Leslieville Purchaser and has not paid all of the purchase price deposit monies outstanding under its

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Original Leslieville APS either directly to UC Leslieville or reimbursed its Leslieville Assignor for such deposit amounts;

“**ONHWPA**” means the *Ontario New Home Warranties Plan Act* (Ontario) and all regulations prescribed thereunder, as may be amended from time to time;

“**Opt-In Deadline**” means May 19th, 2017 at 5:00 pm (EST);

“**Opt-In Leslieville Purchaser**” means an Existing Leslieville Purchaser (a) who has delivered a fully executed and completed Opt-In Package to the Construction Receiver in accordance with the Purchaser Information Package Approval Order, and (b) who has not rescinded its New APS by the applicable Rescission Bar Date;

“**Opt-In Threshold**” means at least 40% of the Existing Leslieville Purchasers opt-in to the proposed settlement by the Opt-In Deadline and have not rescinded their New APS by the Ultimate Rescission Bar Date;

“**Opt-In Package**” shall have the meaning given to it in the Purchaser Package Approval Order;

“**Opt-Out Leslieville Purchaser**” means an Existing Leslieville Purchaser who is not an Opt-In Leslieville Purchaser;

“**Original Co-Operating Broker**” means a broker who entered into a co-operating broker agreement with UC Leslieville in connection with an Original Leslieville APS;

“**Original Leslieville APS**” means an existing agreement of purchase and sale for a given unit in the Condominium entered into between UC Leslieville, as vendor, and an Existing Leslieville Purchaser, together with all related amendments and side agreements;

“**Paid-up Leslieville Assignee**” means a Leslieville Assignee who has reimbursed its Leslieville Assignor for all of the purchase price deposit monies paid by such Leslieville Assignor under the Original Leslieville APS;

“**Paid-up Leslieville Assignor**” means a Leslieville Assignor who has been paid by its Leslieville Assignee for all of the purchase price deposit monies paid by such Leslieville Assignor under the Original Leslieville APS;

“**Parking Unit**” means each parking unit in the Condominium to be registered against the Leslieville Project Lands;

“**Permitted Encumbrances**” shall have the meaning given to it in paragraph 11 of this Order;

“**Pre-Filing Syndicate Credit Agreement**” means the credit agreement made as of July 13, 2012 between UC Leslieville (as borrower), Alan Saskin, Urbancorp Toronto Management Inc., UC Riverdale and UC Beach (as guarantors), and the Syndicate (as lenders), as amended and supplemented from time to time;

“**Premium**” means, for each Opt-In Leslieville Purchaser, the sum of \$255,000;

“Priority Realty Tax Claim” means any unpaid realty taxes of UC Leslieville;

“Priority Realty Tax Claim Reserve” shall have the meaning given to it in paragraph 62 of this Order;

“Proceeds of Realization” means the net proceeds derived from the use, sale or other disposition of the Leslieville Project;

“Project Agreements” means Craft Construction Contract, Craft Development Contract, the TF Cost Overrun Agreement, Syndicate Construction Loan Agreement and the Craft Loan Agreement;

“Project Monitor Engagement” means the agreement between Altus Group Limited and the Construction Receiver, substantially in the form of **Appendix “E”** to the Second Report.

“Projects” means the Leslieville Project and the Beach Project;

“Professional Expenses” means (i) all accrued but unpaid fees and disbursements of the Construction Receiver, the Construction Receiver’s Counsel and the Construction Receiver’s Independent Counsel, and (ii) the fees and disbursements as estimated from time to time by the Construction Receiver to complete the Receivership Proceeding;

“Property” has the meaning given to it in the recitals of this Order;

“Purchaser Package Approval Order” means the order of the Court dated April 19, 2017 approving, among other things, the information to be provided to the Existing Leslieville Purchasers in respect of the proposed settlement;

“Purchasers’ Premium Charge” shall have the meaning given to it in paragraph 5 of this Order;

“Receiver” shall have the meaning given to it in recitals of this Order;

“Receivership Proceeding” means the receivership proceeding with respect to the Debtors commenced by the Appointment Order bearing Court File No. CV-16-11409-00CL;

“Repudiation Date” shall have the meaning given to it in paragraph 13 of this Order;

“Rescission Bar Date” shall have the meaning given to it in the Purchaser Package Approval Order;

“Second Report” shall have the meaning given to it in the recitals of this Order;

“Settled Amounts” shall have the meaning given to it in paragraph 60 of this Order;

“Settlement Parties” shall have the meaning given to it in the recitals of this Order;

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“**Standard Form Sale Agreement**” means an agreement of purchase and sale between UC Leslieville by the Construction Receiver and a New Leslieville Purchaser for an Unsold Unit, substantially in the form of **Appendix “I”** to the Second Report;

“**Storage Unit**” means each storage unit in the Condominium to be registered against the Leslieville Project Lands;

“**Subsequent Sale Transaction**” shall have the meaning given to it in paragraph 8 of this Order;

“**Syndicate**” means Canadian Imperial Bank of Commerce, Canadian Western Bank, and Laurentian Bank, or their assignees, as represented by the Administrative Agent;

“**Syndicate Charge**” shall have the meaning given to it in paragraph 39 of this Order;

“**Syndicate Construction Loan Agreement**” means the credit agreement made as of April 18, 2017 between the Construction Receiver (as borrower), the Syndicate (as lenders), and the Administrative Agent (as the administrative agent for the Syndicate), in the initial principal amount of \$4.5 million, substantially in the form as appended as **Appendix “G”** to the Second Report, as the same may be amended or supplemented from time to time;

“**Syndicate Construction Loan Obligations**” means the obligations of the Construction Receiver owing to the Syndicate pursuant to the Syndicate Construction Loan Agreement from time to time, including: (i) the Deferred Commitment Fee, (ii) all Syndicate COR Funded Amounts and all Syndicate COR Commitment Fees earned by the Syndicate pursuant to the TF Cost Overrun Agreement, and (iii) any other amounts which may expressly be provided by the terms of the Syndicate Construction Loan Agreement, the Craft Construction Contract, the Craft Development Contract and/or the TF Cost Overrun Agreement to be (or be deemed to be) a loan under the Syndicate Construction Loan Agreement;

“**Syndicate COR Commitment Fee**” shall have the meaning given to it in paragraph 43(b) of this Order;

“**Syndicate COR Deferred Fee**” shall have the meaning given to it in paragraph 43(b) of this Order;

“**Syndicate COR Deferred Fee Charge**” shall have the meaning given to it in paragraph 47 of this Order;

“**Syndicate COR Funded Amount**” shall have the meaning given to it in paragraph 43 of this Order;

“**Syndicate Default Funded Amount**” shall have the meaning given to it in paragraph 48 of this Order;

“**Syndicate Loan Default Charge**” shall have the meaning given to it in paragraph 48 of this Order;

“Syndicate Pre-Filing Secured Obligations” means the secured obligations owing by the Debtors to the Syndicate under the Pre-Filing Syndicate Credit Agreement;

“Tarion” means Tarion Warranty Corporation;

“Tarion Addendum” means the addendum to the Standard Form Sale Agreement from Tarion Warranty Corporation;

“Tarion Bond” means bond no. 10030498 dated May 19, 2011 in the original amount of \$1.26 million issued by Travelers in favour of Tarion in respect of the Leslieville Project, as amended from time to time;

“Tarion Bond Amount” means, at any time, the amount equal to \$1.1 million less the amounts paid by Travelers to Tarion prior to such time under the Tarion Bond;

“Tarion Residual Reserve Amount” means, at any time, a reserve reasonably estimated by Tarion, and approved by the Construction Receiver, to serve as cash collateral sufficient to secure the payment of Tarion’s remaining obligations under the ONHWPA to the Opt-In Leslieville Purchasers, New Leslieville Purchasers and the Condominium Corporation after taking into account the Tarion Bond Amount and the Tarion Charge Amount at such time;

“Tarion Deposit Claim” means a claim to Tarion for compensation for purchase price deposits paid pursuant to an Original Leslieville APS (up to a maximum amount of \$20,000) pursuant to the ONHWPA;

“Tarion Charge” shall have the meaning given to it in paragraph 21 of this Order;

“Tarion Charge Amount” means, at any time, the amount equal to \$1.1 million less the Tarion Bond Amount at such time;

“Tax Statutes” shall have the meaning given to it in paragraph 56 of this Order;

“Terra Firma” means Terra Firma Capital Corporation;

“Terra Firma Commitment Letter” means the commitment letter between Terra Firma and UC Leslieville, Bosvest Inc. and Westside Gallery Lofts Inc., UTMI and Mr. Alan Saskin as guarantors, and UC Riverdale, UC Beach, Edge Residential Inc. and Edge on Triangle Park Inc., and all amending agreements;

“Terra Firma Indebtedness” means the indebtedness owed by the Debtors to Terra Firma pursuant to the Terra Firma Commitment Letter;

“TF Cost Overrun Funded Amount” means the amount of funds advanced by Terra Firma pursuant to the TF Cost Overrun Agreement;

“TF Cost Overrun Agreement” means the cost overrun funding and performance agreement April 18, 2017 made among Terra Firma, the Construction Receiver, the Administrative Agent, and Craft, as amended or supplemented from time to time;

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“TF Cost Overrun Agreement Charge” shall have the meaning given to it in paragraph 42 of this Order;

“Transfer/Deed” shall have meaning given to it in paragraph 10 of this Order;

“Travelers” means Travelers Guarantee Company of Canada/Travelers Insurance Company of Canada;

“Travelers Cash Collateral” means the deposit monies received by UC Leslieville under the Original Leslieville APS and held in trust by Harris Sheaffer LLP, which were pledged by UC Leslieville to Travelers as cash collateral for Travelers Secured Obligations, and as of August 9, 2016 was in the total amount of \$250,000, plus \$85,484.97 in interest;

“Travelers Master Excess Claims Policy” means Policy No. 10031069 - Master Insurance Policy for Excess Condominium Deposits and Upgrades issued by Travelers favour of UC Leslieville;

“Travelers Secured Obligations” means all obligations owed or owing by UC Leslieville to Travelers, from time to time, related to the Travelers Master Excess Claims Policy and/or the Tarion Bond arising under a letter agreement dated March 5, 2012 between Travelers and UC Leslieville or the UC Leslieville Indemnity Agreement, as secured by a Deposit Trust Agreement dated May 19, 2011 amongst UC Leslieville, Travelers and Harris, Sheaffer LLP or the Travelers Mortgage;

“Travelers Mortgage” means the charge/mortgage registered as Instrument No. AT2720786 on June 15, 2011 granted by UC Leslieville in favor of Travelers to secure the Travelers Secured Obligations;

“UC Beach” shall have the meaning given to it in the recitals of this Order;

“UC Leslieville” shall have the meaning given to it in the recitals of this Order;

“UC Riverdale” shall have the meaning given to it in the recitals of this Order;

“UC Leslieville Indemnity Agreement” means the indemnity agreement dated May 19, 2011 entered into between UC Leslieville (as principal), Alan Saskin, High Res. Inc., Urbancorp Toronto Management Inc. (as indemnitors) and Travelers.

“Ultimate Rescission Bar Date” means the date being ten (10) days after the Opt-In Deadline;

“Unit” means a residential unit in the Condominium to be registered against the Leslieville Project Lands and, in the case of a unit sold pursuant to a New Sale Transaction or a Subsequent Sale Transaction, includes a Parking Unit and Storage Unit, together with an undivided interest in the common elements appurtenant to such unit and the exclusive use of those parts of the common elements attaching to such unit, to the extent included in such sale transaction;

“Unpaid Leslieville Assignor” means a Leslieville Assignor who paid deposit monies to UC Leslieville pursuant to an Original Leslieville APS and has not been reimbursed for such deposit

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monies by the applicable Leslieville Assignee for deposit monies paid by the Leslieville Assignor under the Original Leslieville APS;

“**Unsold Unit**” shall have the meaning given to it in paragraph 6 of this Order;

“**UTMI**” means Urbancorp Toronto Management Inc.;

“**Vacant Lot**” means the lands and premises situate in the City of Toronto, as more particularly described in Schedule “F” under the heading “Vacant Lot”;

“**Vacant Lot Conditions**” shall have the meaning given to them in the Craft Development Contract;

“**Vendor**” has the meaning given to it pursuant to the ONHWPA; and

“**Waterfall**” shall have the meaning given to it in paragraph 55 of this Order.

SCHEDULE "B" - CLAIMS TO BE EXPUNGED FROM TITLE TO REAL PROPERTY

1. Instrument No. AT2720786, registered June 15, 2011, being a charge in favour of Travelers Guarantee Company of Canada;
2. Instrument No. AT3081811, registered July 24, 2012, being a charge in favour of Canadian Imperial Bank of Commerce;
3. Instrument No. AT3082309, registered July 24, 2012, being a postponement of Travelers Insurance Company of Canada charge No. AT2720786 in favour of Canadian Imperial Bank of Commerce charge No. AT3081811;
4. Instrument No. AT3102606, registered August 16, 2012, being a notice with respect to Travelers Insurance Company of Canada charge No. AT2720786;
5. Instrument No. AT3954372, registered July 22, 2015, being a charge in favour of Terra Firma Capital Corporation;
6. Instrument No. AT3954373, registered July 22, 2015, being a notice of general assignment of rents in favour of Terra Firma Capital Corporation;
7. Instrument No. AT4011571, registered September 17, 2015, being a construction lien in favour of Alpa Stairs and Railings Inc.
8. Instrument No. AT4039964, registered October 19, 2015, being a certificate of action in favour of Alpa Stairs and Railings Inc.
9. Instrument No. AT4057394, registered November 3, 2015, being a construction lien registered in favour of EXP Services Inc.;
10. Instrument No. AT4072949, registered November 20, 2015, being a construction lien in favour of Roni Excavating Limited;
11. Instrument No. AT4072991, registered November 20, 2015, being a construction lien in favour of Orin Contractors Corp.;
12. Instrument No. AT4073814, registered November 23, 2015, being a construction lien in favour of Sterling Carpet & Tile;
13. Instrument No. AT4106412, registered December 30, 2015, being a certificate of action in favour of Roni Excavating Limited;
14. Instrument No. AT4106476, registered December 30, 2015, being a certificate of action in favour of Orin Contractors Corp.;
15. Instrument No. AT4129370, registered January 26, 2016, being a certificate of action in favour EXP Services Inc.

16. Instrument No. AT4140578, registered February 8, 2016, being a certificate of action in favour of Sterling Tile & Carpet;
17. Instrument No. AT4153410, registered February 25, 2016, being a construction lien in favour of Silvio Construction Co. Ltd.;
18. Instrument No. AT4165123, registered March 10, 2016, being a construction lien in favour of NG Marin Inc.;
19. Instrument No. AT4165218, registered March 11, 2016, being a construction lien in favour of Commercial Two Construction Inc.;
20. Instrument No. AT4165591, registered March 11, 2016, being a construction lien in favour of MDF Mechanical Limited;
21. Instrument No. AT4166872, registered March 14, 2016, being a construction lien in favour of Uptown Hardware Limited;
22. Instrument No. AT4181331, registered March 31, 2016, being a certificate of action in favour of Silvio Construction Co. Ltd.;
23. Instrument No. AT4194677, registered April 15, 2016, being a construction lien in favour of 207875 Ontario Limited;
24. Instrument No. AT4194686, registered April 15, 2016, being a construction lien in favour of Emergency Propane Services Inc.
25. Instrument No. AT4198081, registered April 20, 2016, being a construction lien in favour of Lido Construction Inc.
26. Instrument No. AT4200385, registered April 22, 2016, being a certificate of action in favour of Uptown Hardware Limited;
27. Instrument No. AT4200654, registered April 25, 2016, being a certificate of action in favour of MDF Mechanical Limited;
28. Instrument No. AT4211208, registered May 4, 2016, being a certificate of action in favour of NG Marin Inc.;
29. Instrument No. AT4215263, registered May 10, 2016, being a certificate of action in favour of Commercial Two Construction Inc.;
30. Instrument No. AT4229855, registered May 30, 2016, being a certificate of action in favour of 207875 Ontario Limited;
31. Instrument No. AT4229857, registered May 30, 2016, being a certificate of action in favour of Emergency Propane Services Inc.;

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32. Instrument No. AT4243741, registered June 10, 2016, being an application to register a court order of the Ontario Superior Court of Justice Commercial List appointing Alvarez & Marsal Canada Inc. as appointing receiver and construction lien trustee;
33. Instrument No. AT4244696, registered June 10, 2016, being a certificate of action in favour of Lido Construction Inc.; and
34. Together with such further Claims as may arise and/or be registered against title to the Leslieville Project Lands up to and including the time of closing of a New APS Transaction, a Subsequent Sale Transaction or such other transaction (as set out in more detail by way of solicitor's statement or affidavit annexed to the Transfer/Deed).

**SCHEDULE "C" – PERMITTED ENCUMBRANCES, EASEMENTS AND
RESTRICTIVE COVENANTS RELATED TO THE REAL PROPERTY**

(unaffected by the Vesting Order)

1. Instrument No. AT2958528, registered March 2, 2012, being a transfer of easement in favour of Rogers Communications Inc.;
2. Instrument No. AT3708202, registered October 7, 2014, being a transfer of easement in favour of Bell Canada;
3. Instrument No. AT3728135, registered October 30, 2014, being a transfer of easement in favour of Enbridge Gas Distribution Inc.; and
4. Instrument No. AT4163132, registered March 8, 2016, being a Notice of Security Interest in favour of Genesis Home Services Inc.

SCHEDULE "D"
LIST OF LIEN CLAIMANTS

207875 Ontario Ltd (o/a Canadian Rental Centres)
Alpa Stairs and Railings Inc.
Commercial Two Construction Inc.
Emergency Propane Services Inc.
EXP Services Inc.
Lido Construction Inc.
MDF Mechanical Ltd.
NG Marin Inc.
Orin Contractors Corp.
Roni Excavating Limited
Silvio Construction Co. Ltd.
Sterline Carpet and Tile
Uptown Hardware Ltd

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SCHEDULE "E"**LIEN CLAIMANT ACTIONS**

	Plaintiff	Defendants	Court File No.
1.	207875 Ontario Limited	Urbancorp (Leslieville) Developments Inc., Urbancorp Construction Company Inc., Terra Firma Capital Corporation, Canadian Imperial Bank of Commerce, Travelers Insurance Company of Canada	CV-16-553611
2.	Alpa Stairs and Railings Inc.	Urbancorp (Leslieville) Developments Inc., Urbancorp (The Beach) Developments Inc., Travelers Guarantee Company of Canada, Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-15-537937
3.	Commercial Two Construction Inc.	Urbancorp (Leslieville) Developments Inc., Urbancorp Inc., Travelers Guarantee Company of Canada, Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-552495
4.	Emergency Propane Services Inc.	Urbancorp (Leslieville) Developments Inc., Urbancorp Construction Company Inc., Terra Firma Capital Corporation, Canadian Imperial Bank of Commerce, Travelers Insurance Company of Canada	CV-16-553614
5.	EXP Services Inc.	Urbancorp (Leslieville) Developments Inc., Urbancorp Inc., Travelers Guarantee Company of Canada, Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-545215

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	Plaintiff	Defendants	Court File No.
6.	Lido Construction Inc.	Urbancorp (Leslieville) Developments Inc., Urbancorp Inc., Travelers Guarantee Company of Canada, Canadian Imperial Bank of Commerce, Terra Firma Capital Corporation	CV-16-554573
7.	MDF Mechanical Limited	Urbancorp (Leslieville) Developments Inc., Travelers Guarantee Company of Canada also known as Travelers Insurance Company of Canada, Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-551542
8.	NG Marin Inc.	Urbancorp (Leslieville) Developments Inc., Travelers Guarantee Company of Canada, Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-552136
9.	Orin Contractors Corp.	Urbancorp (Leslieville) Developments Inc., Travelers Guarantee Company of Canada, Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-15-543587
10.	Roni Excavating Limited	Urbancorp (Leslieville) Developments Inc., Travelers Guarantee Company of Canada, Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-15-543574
11.	Silvio Construction Co. Ltd.	Urbancorp (Leslieville) Developments Inc., Urbancorp Toronto Management Inc., Travelers Guarantee Company of Canada, Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-549968

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	Plaintiff	Defendants	Court File No.
12.	Sterling Carpet & Tile	Urbancorp (Leslieville) Developments Inc., Urbancorp Inc., Urbancorp Financial Inc., Urbancorp Construction Company, Canadian Imperial Bank of Commerce, Travelers Insurance Company of Canada and Terra Firma Capital Corporation	CV-16-546232
13.	Uptown Hardware Limited	Urbancorp (Leslieville) Developments Inc., Travelers Guarantee Company of Canada, Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-551471

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SCHEDULE "F"**Legal Description****Leslieville Project Lands - 50 Curzon Street, Toronto, Ontario****PIN 21051-0408 (LT)****Owner: Urbancorp (Leslieville) Developments Inc.**

Firstly: Part Lot 11, Plan 61E Toronto; Part Lot 11, Concession 1 FTB, designated as Part 2, Plan 66R-25636; Secondly: Part Lot 11, Concession 1 FTB designated as Part 1, Plan 66R-25636; Thirdly: Part Lot 11, Concession 1 FTB commencing at an iron bar in the western limit of Curzon Street, distant 595.81 feet measured northerly therealong from the northern limit of Queen Street East; Thence north 16 degrees 00 minutes west along the said western limit of Curzon Street a distance of 65.70 feet to an iron bar; thence south 74 degrees 22 minutes 20 seconds west a distance of 252.43 feet to an iron pipe in the eastern limit of Lot 8, according to a Plan filed in the said Registry Office as number 61E; thence south 17 degrees 06 minutes east along the eastern limits of Lots 8 and 9 according to said Plan 61E a distance of 66.00 feet to a spike in a stump; Thence north 74 degrees 18 minutes 20 seconds east a distance of 251.17 feet to the point of commencement; subject to an easement as in AT2958528; subject to an easement as in AT3708202, subject to an easement as in AT3728135, City of Toronto

Vacant Lot**Owner: Urbancorp (Leslieville) Developments Inc.**

Part of the Leslieville Project Lands designated as Part 10 on a draft reference plan of survey prepared by George C.M. Lo., Ontario Land Surveyor, of R. Avis Surveying Inc. dated January 28, 2015, the precise legal description for which will be set out in the Transfer/Deed to be delivered pursuant to the terms of the Order to which this schedule is annexed.

10:00 A.M.
COUNSEL SLIP

N

COURT FILE NO CV-16-11409-00CL DATE MAY 2, 2017

NO ON LIST 10

CANADIAN IMPERIAL BANK OF COMMERCE

TITLE OF PROCEEDING

✓ URBANCORP (LESLIEVILLE) DEVELOPMENTS INC. et al.

COUNSEL FOR:

PLAINTIFF(S)

APPLICANT(S)

PETITIONER(S)

Clifton Prophet for CIBC
Thomas Germer as Agent
Pamela Huff / Kelly Peters
Counsel for Construction

PHONE & FAX NOS

416 862-3509

416 862-7661

416-863-2958

416-863-2654

COUNSEL FOR:

DEFENDANT(S)

RESPONDENT(S)

Receiver, Moving Party

PHONE & FAX NOS

DAVID PREFER FOR REPRESENTED PURCHASERS T: 416-646-4606
F: 416-865-1398

ADAM SLAVENS

FOR TARION WARRANTY CORPORATION

T 416 865 7333

F 416 865 7380

Lori Goldberg
For Fuller Landau

T 416 597 7890

F 416 597 3370

✓ Kauffman for Travelers Insurance Company of Canada
(416) 969-3538
a.kauffman@fasken.com

R. B. Bissell
for Terra Firma Capital
Corporation and Craft
Development Corporation

T: 416-597-6489

F: 416-597-3370

Ali Tatari 647-297-3625

Emed Tatari 416-869-7159

PHILIP HORGAN
416 777-9994
phorgan@carttenlaw.ca

for Commercial Two (Pien & Smart)
Leslieville

NEAL PALOMINO
416-878-8806

Joseph D'Alimonte
counsel to NG Marin
email: jdalimonte@bellnet.ca

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

SETTLEMENT APPROVAL ORDER

BLAKE, CASSELS & GRAYDON LLP
199 Bay Street
Suite 4000, Commerce Court West
Toronto, Ontario M5L 1A9

Pamela L. J. Huff - LSUC#: 27344V
Tel: 416-863-2958
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Email: pamela.huff@blakes.com

Kelly Peters - LSUC#: 59914W
Tel: 416-863-4271
Fax: 416-863-2653
Email: kelly.peters@blakes.com

Independent Counsel for Alvarez & Marsal Canada Inc., in its capacity as both Receiver and Manager, and Construction Lien Trustee of the assets, undertakings and property of Urbancorp (Leslieville) Developments Inc., Urbancorp (Riverdale) Developments Inc., and Urbancorp (The Beach) Developments Inc.

TAB D

This is Exhibit "D" to the Affidavit of
Glenn Watchorn, sworn before me
this 6th day of March, 2018



A Commissioner, etc.



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of: Ontario
 Division No.: 09 - Toronto
 Court No.: 31-2257213
 Estate No.: 31-2257213

In the Matter of the Bankruptcy of:
URBANCORP (LESLIEVILLE) DEVELOPMENTS INC.
 Debtor
MSI SPERGEL INC
 Licensed Insolvency Trustee
 Ordinary Administration

Date and time of bankruptcy:	May 31, 2017, 08:46	Security:	\$0.00
Date of trustee appointment:	May 31, 2017		
Meeting of creditors:	June 20, 2017, 11:00 505 Consumers Road, Suite 201 Toronto, Ontario Canada,		
Chair:	Trustee		

CERTIFICATE OF APPOINTMENT - Section 49 of the Act; Rule 85

-- AMENDED --

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- the aforementioned debtor filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*;
- the aforementioned trustee was duly appointed trustee of the estate of the debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: June 01, 2017, 09:20

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of: Ontario
Division No.: 09 - Toronto
Court No.: 31-2257215
Estate No.: 31-2257215

In the Matter of the Bankruptcy of:
URBANCORP (RIVERDALE) DEVELOPMENTS INC.
Debtor
MSI SPERGEL INC
Licensed Insolvency Trustee
Ordinary Administration

Date and time of bankruptcy:	May 31, 2017, 08:47	Security:	\$0.00
Date of trustee appointment:	May 31, 2017		
Meeting of creditors:	June 20, 2017, 10:00 505 Consumers Road, Suite 201 Toronto, Ontario Canada,		
Chair:	Trustee		

CERTIFICATE OF APPOINTMENT - Section 49 of the Act; Rule 85

-- AMENDED --

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- the aforementioned debtor filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*;
- the aforementioned trustee was duly appointed trustee of the estate of the debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: June 01, 2017, 09:22

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of: Ontario
Division No.: 09 - Toronto
Court No.: 31-2257212
Estate No.: 31-2257212

In the Matter of the Bankruptcy of:
URBANCORP (THE BEACH) DEVELOPMENTS INC.
Debtor
MSI SPERGEL INC
Licensed Insolvency Trustee
Ordinary Administration

Date and time of bankruptcy:	May 31, 2017, 08:42	Security:	\$0.00
Date of trustee appointment:	May 31, 2017		
Meeting of creditors:	June 20, 2017, 10:30 505 Consumers Road, Suite 201 Toronto, Ontario Canada,		
Chair:	Trustee		

CERTIFICATE OF APPOINTMENT - Section 49 of the Act; Rule 85

-- AMENDED --

I, the undersigned, official receiver in and for this bankruptcy district, do hereby certify that:

- the aforementioned debtor filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*;
- the aforementioned trustee was duly appointed trustee of the estate of the debtor.

The said trustee is required:

- to provide to me, without delay, security in the aforementioned amount;
- to send to all creditors, within five days after the date of the trustee's appointment, a notice of the bankruptcy; and
- when applicable, to call in the prescribed manner a first meeting of creditors, to be held at the aforementioned time and place or at any other time and place that may be later requested by the official receiver.

Date: June 01, 2017, 09:17

E-File/Dépôt Electronique

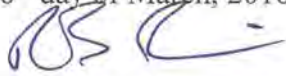
Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

T A B L E

This is Exhibit "E" to the Affidavit of
Glenn Watchorn, sworn before me
this 6th day of March, 2018

A handwritten signature in blue ink, appearing to be "B. C.", written over a horizontal line.

A Commissioner, etc.

Court File No. CV-16-11409-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**



THE HONOURABLE)

TUESDAY, THE 2nd

MR. JUSTICE NEWBOULD)

DAY OF MAY, 2017)

BETWEEN:

CANADIAN IMPERIAL BANK OF COMMERCE

Applicant

- and -

**URBANCORP (LESLIEVILLE) DEVELOPMENTS INC.,
URBANCORP (RIVERDALE) DEVELOPMENTS INC., &
URBANCORP (THE BEACH) DEVELOPMENTS INC.**

Respondents

APPLICATION UNDER section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, section 68 of the *Construction Lien Act*, R.S.O. 1990, c. C.30, and under section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43

**SALE PROCESS ORDER
(RE: BEACH PROJECT)**

THIS MOTION, made by Alvarez & Marsal Canada Inc., in its capacity as receiver and manager (in such capacity, the "**Receiver**"), pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c.C.43, as amended, and in its capacity as construction lien trustee (in such capacity, the "**Construction Lien Trustee**"), pursuant to section 68 of the *Construction Lien Act*, R.S.O. 1990, c. C.30 as amended (the Receiver, together with the Construction Lien Trustee, the "**Construction Receiver**"), of all of the assets, undertakings, and property acquired for, or used in relation to the business, including all proceeds thereof (the "**Property**") of Urbancorp (Leslieville) Developments Inc. ("**UC Leslieville**"), Urbancorp (Riverdale)

- 2 -

Developments Inc. (“**UC Riverdale**”) and Urbancorp (The Beach) Developments Inc. (“**UC Beach**”, together with UC Riverdale, and UC Leslieville, the “**Debtors**”), for an order approving the Beach Sale Process (defined below), including the engagement of Cushman & Wakefield Ltd., Brokerage (the “**Beach Listing Agent**”) as listing agent under the Beach Sale Process, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion and the second report of the Construction Receiver dated April 21, 2017 (the “**Second Report**”) and on hearing the submissions of counsel for the Construction Receiver, Canadian Imperial Bank of Commerce (as administrative agent and lender), the Ad Hoc Leslieville Purchasers, Terra Firma Capital Corporation, Travelers Guarantee Corporation of Canada, Tarion Warranty Corporation, and counsel on the counsel slip, attached, no one appearing for any other person on the service list, although properly served as appears from the affidavit of service of Kelly Peters sworn April 28, 2017 filed,

DEFINITIONS

1. **THIS COURT ORDERS** that capitalized terms not otherwise defined shall have the meaning given to them in **Schedule “A”** hereto.

REPUDIATION AND TERMINATION OF EACH ORIGINAL BEACH APS

2. **THIS COURT ORDERS** that the Construction Receiver be and is hereby authorized to repudiate each and every Original Beach APS, with such repudiation to be effective on the granting of this Order.

3. **THIS COURT ORDERS AND DECLARES** that as a result of the repudiation by the Construction Receiver pursuant to paragraph 2 of this Order, each Original Beach APS is not capable of performance and may be terminated by each Existing Beach Purchaser.

4. **THIS COURT ORDERS** that notice of the termination by each Existing Beach Purchaser of their Original Beach APS shall be deemed to be provided to the Construction Receiver on the granting of this Order.

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NON-RECOURSE AGAINST PROPERTY

5. **THIS COURT ORDERS AND DECLARES** that all Existing Beach Purchasers and Beach Assignors shall have no right, title, interest, claim or recourse as against any of the Property of the Debtors, and any such claim held by an Existing Beach Purchaser or Beach Assignor against the Debtors shall be limited to (a) an unsecured claim against the estate of the Debtors and (b) a Tarion Deposit Claim, each to the extent available.

APPROVAL OF BEACH SALE PROCESS

6. **THIS COURT ORDERS AND DECLARES** that the sale process in respect of the Beach Project Lands as described in Section 3.5 of the Second Report (the "**Beach Sale Process**"), be and is hereby approved, and the Construction Receiver is hereby authorized to take such further steps as it considers necessary or desirable to carry out the Beach Sale Process.

7. **THIS COURT ORDERS** that the execution of the Beach Listing Agreement by the Construction Receiver is hereby authorized and approved, with such non-material amendments as the Construction Receiver may deem necessary or desirable and the Construction Receiver be and the Construction Receiver is hereby authorized to execute and to carry out and perform its obligations under the Beach Listing Agreement, including the payment of any amounts due to be paid to the Beach Listing Agent by the Construction Receiver pursuant to the terms thereof, and to take such additional steps and execute such additional documents as may be necessary or desirable to implement the Beach Listing Agreement.

CONSTRUCTION LIEN CLAIMS AND HOLDBACK

8. **THIS COURT ORDERS** that, after provision for the Construction Receiver's Reserve, the Construction Receiver is hereby authorized and directed to retain from the Proceeds of Realization the amount of \$416,000 (the "**Beach Holdback Reserve**") in full and final satisfaction of all claims of the construction lien claimants of the Beach Project Lands as set out at **Schedule "C"** hereto (the "**Lien Claimants**") and their subcontractors, if any, in respect of any deficiencies in the holdbacks required to have been retained by any statutory "owner" of the Beach Project Lands, as that term is defined in section 1(1) of the CLA that have priority to

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amounts that were owing to any mortgagee against the Projects pursuant to Part IV of the CLA (the “**Beach Holdback Deficiencies**”).

9. **THIS COURT ORDERS** that the Construction Receiver is hereby authorized and directed to hold the Beach Holdback Reserve in an interest bearing account for amounts owed to the Lien Claimants for the Beach Holdback Deficiencies and the Beach Holdback Reserve shall stand in place and stead of the Beach Projects Lands, subject to the entirety of claims by the Lien Claimants and their subcontractors, if any, with respect to Beach Holdback Deficiencies, and all actions or proceedings commenced against the Debtors, Administrative Agent and Terra Firma by the Lien Claimants, and their subcontractors, if any, with respect to the Beach Holdback Deficiencies shall be satisfied from the Beach Holdback Reserve.

10. **THIS COURT ORDERS** that, upon the establishment of the Beach Holdback Reserve by the Construction Receiver, all actions or proceedings commenced by the Lien Claimants as set out at **Schedule “D”** hereto or their subcontractors, if any, as applicable, against the Debtors, Terra Firma, and the Administrative Agent with respect to: (i) the Beach Holdback Deficiencies; (ii) trust or damage claims (if any); or (iii) otherwise claiming priority over any mortgagee (collectively, the “**Mortgagee Actions**”), are hereby dismissed as against the Debtors, Terra Firma, and the Administrative Agent, as applicable, on a with prejudice without costs basis.

11. **THIS COURT ORDERS** that, upon settlement of the Beach Holdback Deficiencies owed to the Lien Claimants from the Beach Holdback Reserve, as may be agreed between Terra Firma, the Administrative Agent and the Lien Claimants, with the consent of the Construction Receiver (the “**Settled Amounts**”), the Construction Receiver shall bring a motion or motions, as applicable, from time to time, as the Construction Receiver in its sole discretion deems appropriate, to pay the Settled Amounts to each of the Lien Claimants.

12. **THIS COURT ORDERS** that this Order is without prejudice to the rights of the Construction Receiver, the Lien Claimants, or any of them, to, at any time, bring a motion(s) to this Court seeking, among other things, payment of their respective claims for the Beach Holdback Deficiencies, refer any issues to a Construction Lien Master or any other relief with

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respect to the determination of their claims for the Beach Holdback Deficiencies to be paid from the Beach Holdback Reserve.

GENERAL

13. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Construction Receiver and its 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 Construction Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Construction Receiver and its agents in carrying out the terms of this Order.



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

MAY 02 2017

PER / PAR:



SCHEDULE "A"

DEFINITIONS:

"Administrative Agent" means Canadian Imperial Bank of Commerce, in its capacity as administrative agent for the Syndicate under the Pre-Filing Syndicate Credit Agreement;

"Appointment Order" means the order of this Court appointing the Construction Receiver dated May 31, 2016, as it may be amended, restated or supplemented from time to time;

"Beach Assignor" means a person who has entered into an Original Beach APS with UC Beach, and assigned such Original Beach APS to a person or persons who is now an Existing Beach Purchaser;

"Beach Holdback Deficiencies" has the meaning given to it in paragraph 8 of this Order;

"Beach Holdback Reserve" has the meaning given to it in paragraph 8 of this Order;

"Beach Listing Agent" has the meaning given to it in the recitals of this Order;

"Beach Listing Agreement" means the listing agreement in the form of the listing agreement attached as Appendix "L" to the Second Report;

"Beach Project Lands" means the lands and premises owned by UC Leslieville and/or UC Beach located at 42 Edgewood Avenue, Toronto, Ontario, as more particularly described in Schedule "B";

"Beach Sale Process" has the meaning given to it in paragraph 6 of this Order;

"BIA" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;

"CLA" means the *Construction Lien Act*, R.S.O. 1990, c. C.30, as amended;

"Construction Lien Trustee" has the meaning given to it in the recitals of this Order;

"Construction Receiver" has the meaning given to it in the recitals of this Order;

"Construction Receiver's Counsel" means Gowlings WLG (Canada) LLP;

"Construction Receiver's Independent Counsel" means Blake, Cassels & Graydon LLP;

"Construction Receiver's Real Estate Counsel" means Miller Thomson LLP;

"Construction Receiver's Reserve" means a reserve in an amount satisfactory to the Construction Receiver to serve as cash collateral sufficient to secure the payment of the Professional Expenses;

"Debtors" has the meaning given to it in the recitals of this Order;

- 7 -

“**Existing Beach Purchaser**” mean a person who has entered into a Beach APS with UC Beach, or where such person or persons has/have assigned its/their Beach APS, the assignee(s) thereof;

“**Lien Claimants**” has the meaning given to it in paragraph 8 of this Order;

“**Mortgagee Actions**” has the meaning given to it in paragraph 10 of this Order;

“**Original Beach APS**” means an existing agreement of purchase and sale for a freehold semi-detached home located on the Beach Project Lands between UC Beach, as vendor, and an Existing Beach Purchaser, together with all related amendments and ancillary agreements;

“**Pre-Filing Syndicate Credit Agreement**” means the credit agreement made as of July 13, 2012 between UC Leslieville (as borrower), Alan Saskin, Urbancorp Toronto Management Inc., UC Riverdale and UC Beach (as guarantors), and the Syndicate (as lenders), as amended, restated and supplemented from time to time;

“**Proceeds of Realization**” means the net proceeds derived from the Beach Sale Process;

“**Professional Expenses**” means (i) all accrued but unpaid fees and disbursements of the Construction Receiver, the Construction Receiver’s Counsel, the Construction Receiver’s Independent Counsel and the Construction Receiver’s Real Estate Counsel, and (ii) the fees and disbursements as estimated from time to time by the Construction Receiver to complete the Receivership Proceeding;

“**Property**” has the meaning given to it in the recitals of this Order;

“**Receiver**” shall have the meaning given to it in the recitals of this Order;

“**Receivership Proceeding**” means the receivership proceeding with respect to the Debtors commenced by the Appointment Order bearing Court File No. CV-16-11409-00CL;

“**Second Report**” has the meaning given to it in the recitals of this Order;

“**Settled Amounts**” has the meaning given to it in paragraph 11 of this Order;

“**Syndicate**” means Canadian Imperial Bank of Commerce, Canadian Western Bank, and Laurentian Bank, or their assignees, as represented by the Administrative Agent;

“**Tarion Deposit Claim**” means a claim to Tarion Warranty Corporation for compensation for purchase price deposits paid pursuant to an Original Beach APS (up to a maximum amount of \$40,000) pursuant to the *Ontario New Home Warranties Plan Act* (Ontario);

“**Terra Firma**” means Terra Firma Capital Corporation;

“**UC Beach**” has the meaning given to it in the recitals of this Order;

“**UC Leslieville**” has the meaning given to it in the recitals of this Order; and

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“**UC Riverdale** has the meaning given to it in the recitals of this Order.

SCHEDULE "B"**Beach Project Lands - 42 Edgewood Avenue, Toronto, Ontario****THE BEACH****1. Registered Owner: Urbancorp (Leslieville) Developments Inc.****PIN 21024-0455 (LT):**

PART OF LOT 66 & 67 PLAN 481E DESIGNATED AS PART 1 PLAN 66R27603; TOGETHER WITH AN EASEMENT OVER PART OF LOTS 7 AND 8 PL 504 (MIDWAY) AND PART OF LOTS 67 AND 68, PLAN 481E, TORONTO DESIGNATED AS PART 3 ON PLAN 66R26973 UNTIL SUCH TIME AS SAID PART 3 IS DEDICATED AS PUBLIC HIGHWAY AS IN AT3535638; CITY OF TORONTO

PIN 21024-0456 (LT):

PART OF LOTS 8 & 9 PLAN 504 (MIDWAY) DESIGNATED AS PART 2 PLAN 66R27603; TOGETHER WITH AN EASEMENT OVER PART OF LOTS 7 AND 8 PL 504 (MIDWAY) AND PART OF LOTS 67 AND 68, PLAN 481E, TORONTO DESIGNATED AS PART 3 ON PLAN 66R26973 UNTIL SUCH TIME AS SAID PART 3 IS DEDICATED AS PUBLIC HIGHWAY AS IN AT3535638; CITY OF TORONTO

PIN 21024-0492 (LT):

PT LTS 5, 6 & 7 PLAN 504 BEING PT 35 PL 66R27603 AND PT LT 5 PL 504 BEING PT 2 PL 66R27625; TOGETHER WITH AN EASEMENT OVER PT LTS 7 & 8 PL 504 & PT LT 67 & 68 PL 481E PT 3 PL 66R26973 AS IN AT3535638; TOGETHER WITH AN EASEMENT OVER PT LT 70 PL 481E PT 3 PL 66R25512 AS IN ET127629; SUBJECT TO AN EASEMENT OVER PT 2 PL 66R27625 IN FAVOUR OF PT LT 4 PL 504 AS IN AT3690147; CITY OF TORONTO

PIN 21024-0494 (LT):

PT LT 69 PL 481E BEING PTS 16 & 18 PL 66R27603; TOGETHER WITH AN EASEMENT OVER PT LTS 7 & 8 PL 504, PT LTS 67 & 68 PL 481E PT 3 PL 66R26973 AS IN AT3535638; TOGETHER WITH AN EASEMENT OVER PT LT 70 PL 481E PT 3 PL 66R25512 AS IN ET127629; SUBJECT TO AN EASEMENT OVER PT 18 PL 66R27603 IN FAVOUR OF PT LT 70 PL 481E AS IN ET127629; CITY OF TORONTO

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**2. Registered Owners: Urbancorp (Leslieville) Developments Inc. (99.999%)
Urbancorp (The Beach) Developments Inc. (0.001%)**

PIN 21024-0457 (LT):

PART OF LOTS 8 & 9 PLAN 504 (MIDWAY) DESIGNATED AS PART 3 PLAN 66R27603 TOGETHER WITH AN EASEMENT OVER PART OF LOTS 7 AND 8 PL 504 (MIDWAY) AND PART OF LOTS 67 AND 68, PLAN 481E, TORONTO, DESIGNATED AS PART 3 ON PLAN 66R26973 UNTIL SUCH TIME AS SAID PART 3 IS DEDICATED AS PUBLIC HIGHWAY AS IN AT3535638; CITY OF TORONTO

PIN 21024-0469 (LT):

PART OF LOT 66 PLAN 481E DESIGNATED AS PART 15 PLAN 66R27603; TOGETHER WITH AN EASEMENT OVER PART OF LOTS 7 AND 8 PL 504 (MIDWAY) AND PART OF LOTS 67 AND 68, PLAN 481E, TORONTO, DESIGNATED AS PART 3 ON PLAN 66R26973 UNTIL SUCH TIME AS SAID PART 3 IS DEDICATED AS PUBLIC HIGHWAY AS IN AT3535638; CITY OF TORONTO

PIN 21024-0491 (LT):

PT LTS 5, 6 & 7 PLAN 504 BEING PT 36 PL 66R27603 AND PT LT 5 PLAN 504 BEING PT 1 PL 66R27625; TOGETHER WITH AN EASEMENT OVER PT LTS 7 & 8 PL 504 & PT LT 67 & 68 PL 481E PT 3 PL 66R26973 AS IN AT3535638; TOGETHER WITH AN EASEMENT OVER PT LT 70 PL 481E PT 3 PL 66R25512 AS IN ET127629; SUBJECT TO AN EASEMENT OVER PT 1 PL 66R27625 IN FAVOUR OF PT LT 4 PL 504 AS IN AT3690147; CITY OF TORONTO

PIN 21024-0493 (LT):

PT LTS 68 & 69 PL 481E BEING PT 17 PL 66R27603; TOGETHER WITH AN EASEMENT OVER PT LTS 7 & 8 PL 504, PT LTS 67 & 68 PL 481E PT 3 PL 66R26973 AS IN AT3535638; TOGETHER WITH AN EASEMENT OVER PT LT 70 PL 481E PT 3 PL 66R25512 AS IN ET127629; CITY OF TORONTO

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SCHEDULE "C"
LIEN CLAIMANTS

207875 Ontario Ltd. (o/a Canadian Rental Centres)
Alpa Stairs and Railings Inc.
Furkin Construction Inc.
Lido Construction Inc.
NG Marin Inc.
Orin Contractors Corp.
Roni Excavating Limited
Silvio Construction Co. Ltd.
Uptown Hardware Limited

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SCHEDULE "D"**List of actions or proceedings commenced by the Lien Claimants**

	Plaintiff	Defendants	Court File No.
1.	207875 Ontario Limited	Urbancorp (The Beach) Developments Inc., Urbancorp (Leslieville) Developments Inc., Urbancorp Construction Company Inc., Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-554931
2.	Alpa Stairs and Railings Inc.	Urbancorp (Leslieville) Developments Inc., Urbancorp (The Beach) Developments Inc., Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-15-537936
3.	Furkin Construction Inc.	Urbancorp (Leslieville) Developments Inc., Urbancorp (The Beach) Developments Inc., Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-15-543051
4.	Lido Construction Inc.	Urbancorp (Leslieville) Developments Inc., Urbancorp Inc., Canadian Imperial Bank of Commerce, and Terra Firma Capital Corporation	CV-16-556542
5.	NG Marin Inc.	Urbancorp (Leslieville) Developments Inc., Urbancorp (The Beach) Developments Inc., Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-552135
6.	Orin Contractors Corp.	Urbancorp (Leslieville) Developments Inc., Urbancorp (The Beach) Developments Inc., Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-15-543581
7.	Roni Excavating Limited	Urbancorp (Leslieville) Developments Inc., Urbancorp (The Beach) Developments Inc., Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-15-543577

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	Plaintiff	Defendants	Court File No.
8.	Silvio Construction Co. Ltd.	Urbancorp (Leslieville) Developments Inc., Urbancorp (The Beach) Developments Inc., Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-549973
9.	Uptown Hardware Limited	Urbancorp (Leslieville) Developments Inc., Canadian Imperial Bank of Commerce and Terra Firma Capital Corporation	CV-16-551477

10:00 A.M.
COUNSEL SLIP

N

COURT FILE NO CV-16-11409-00CL DATE MAY 2, 2017

NO ON LIST 10

CANADIAN IMPERIAL BANK OF COMMERCE

TITLE OF PROCEEDING

✓ URBANCORP (LESLIEVILLE) DEVELOPMENTS INC. et al.

COUNSEL FOR:

PLAINTIFF(S)

APPLICANT(S)

PETITIONER(S)

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Thomas Germer as Agent
Pamela Huff / Kelly Peters
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416 862-7661

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COUNSEL FOR:

DEFENDANT(S)

RESPONDENT(S)

Receiver, Moving Party

DAVID PREFER FOR REPRESENTED PURCHASERS

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ADAM SLAVENS

FOR TARION WARRANTY CORPORATION

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Corporation and Craft
Development Corporation

Ali Tatari 647-297-3625

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for Commercial Two (lien claimant)
Leslieville

NEAL PALOMINO

416-978-8800

Joseph D'Alimonte

counsel to NG Marin

email: jdalimonte@bellnet.ca

CANADIAN IMPERIAL BANK OF COMMERCE
Applicant

V.

URBANCORP (LESLIEVILLE) DEVELOPMENTS
Respondents

Court File No. CV-16-00001

SUPERIOR COURT OF JUSTICE
COMMISSIONER OF THE RENTAL BOARD
Proceeding commenced by the Respondents

BEACH PROPERTIES

BLAKE, CASSELL & ASSOCIATES
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Toronto, Ontario M5H 3S2

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Independent Courts
Inc., in its capacity as
and Construction Law
undertakings and pro
Developments Inc.,
Developments Inc.,
Developments Inc.

T A B F

This is Exhibit "F" to the Affidavit of
Glenn Watchorn, sworn before me
this 6th day of March, 2018

A handwritten signature in blue ink, appearing to be "RSC", is written above a horizontal line.

A Commissioner, etc.

HARRIS, SHEAFFER LLP

BARRISTERS & SOLICITORS

YONGE CORPORATE CENTRE
4100 YONGE STREET, SUITE 610, TORONTO ONTARIO M2P 2B5
TELEPHONE (416) 250-5800 / FACSIMILE (416) 250-5300

August 9, 2016

Direct Line: (416) 250-3699
E-mail: brotenberg@harris-sheaffer.com
Assistant: Cheryl Moore
Direct Line: (416) 250-3699
E-mail: cmoore@harris-sheaffer.com
File No.: 160425

DELIVERED BY EMAIL

Alvarez & Marsal Canada Inc.
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
TORONTO, Ontario.
M5J 2J1
Attention: Tony Zaspalis

Dear Sir:

Re: Urbancorp (Leslieville) Developments Inc. and
Urbancorp (Riverdale) Developments Inc.


Further to your request, I have reviewed my list of trust accounts and I find that there is, in trust, the sum of \$2,976,772.41 with respect to HST that we have previously advised you about.

The funds are currently in a thirty day term deposit so may earn some interest.

Please advise if you require any further information.

Yours very truly,

HARRIS, SHEAFFER LLP


Barry Rotenberg
BR:cm
c.c. Milly Chow