



May 8, 2019

Update on Status of Proceeding

Pursuant to the Order of the Honourable Mr. Justice Hainey of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated March 21, 2019 (the "**Order**") Miller Thomson LLP ("**Representative Counsel**") was appointed to represent all individuals and/or entities ("**Investors**") that hold an interest in a syndicated mortgage ("**SMI**"), administered by Hi-Rise Capital Ltd. ("**Hi-Rise**"), in respect of the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**") owned by Adelaide Street Lofts Inc. ("**Adelaide**") and the proposed development known as the "Adelaide Street Lofts" (the "**Project**"), in connection with the negotiation and implementation of a settlement with respect to such investments. A copy of the Order can be found on the 'Documents' section of Representative Counsel's website (the "**Website**"), available at <https://www.millerthomson.com/en/hirise/>.

Pursuant to the Order, Representative Counsel represents the interest of all Investors, except Investors who do not wish to be represented by Representative Counsel and have completed and delivered an Opt-Out Notice.

Representative Counsel writes this update further to our communication dated April 25, 2019 entitled "Update on Status of Proceeding" (the "**Last Update**"), a copy of which is posted on the 'Communications' section of the Website, and to provide Investors with the following status update on this proceeding:

1. As further set out in the Last Update, the Official Committee of Investors (the "**Official Committee**") was approved and constituted by Order of the Court dated April 15, 2019. Representative Counsel continues to engage and consult with the Official Committee regularly.
2. As further set out in the Last Update, Representative Counsel has been advised by Hi-Rise that it has received an offer in respect of a proposed transaction related to the Property (the "**Transaction**"). We understand that the offeror is in the process of completing its due diligence in connection with the Transaction. As at the time of the Last Update, the details and documents related to the Transaction would be made available to Representative Counsel and Investors at the end of this due diligence period.
3. A court date was scheduled for May 7, 2019 at 9:30 a.m. for further scheduling and for Hi-Rise to provide an update to the Court on the status of the proposed Transaction (as defined below) (the "**May 7 Court Date**"). Representative Counsel attended at the May 7 Court Date and the following occurred:
 - (a) Counsel for Adelaide advised the Court that it will prepare a Non-Disclosure Agreement ("**NDA**") so that Representative Counsel can have access to the Transaction details on a "counsel-only" basis

before the end of the due diligence period. The details of the NDA are further described in paragraph 4 below.

- (b) Some Investors have opted-out of Representative Counsel's representation and have retained their own separate lawyers. One of these lawyers (the "**Opt-Out Lawyer**") requested that the Court schedule a motion for an Order requiring that all information that is disclosed to Representative Counsel by Hi-Rise shall also be disclosed to an opted out Investor (the "**Disclosure Motion**").

The Court did not schedule Disclosure Motion at the May 7 Court Date, although this may be scheduled at a later date.

A copy of the Endorsement of Justice Haaney dated May 7, 2019, made at the May 7 Court Date, is posted on the 'Documents' section of the Website.

4. As stated above, the NDA will permit Representative Counsel to obtain the Transaction details on a "counsel-only" basis. This means that Representative Counsel will receive details of the Transaction from Adelaide in order to review and analyze the Transaction while the offeror is still conducting its due diligence. However, Representative Counsel will not be permitted to disclose such information to any of the Investors or the Official Committee until such time that Adelaide advises.

Entering into the NDA will permit Representative Counsel to commence its review and formulate its legal opinion in order to later advise all Investors connection with the negotiation and implementation of a settlement agreement with respect to Investor's investments in the Project. In other words, it will permit Representative Counsel to get a "head-start" on its analysis and advice to Investors.

Representative Counsel will review the terms of the NDA and will seek instruction and authorization from the Official Committee to enter into the NDA. Once Adelaide advises that the Transaction details can be made available (*i.e.*, at the end of the offeror's due diligence period), then Representative Counsel will disclose the information to the Investors and Official Committee and the negotiation process can begin. You will be provided with a communication from Representative Counsel in this regard. In the meantime, there is nothing further for you to do.

5. At this time, no further Court date is scheduled. We will update all Investors through a further Communication if the Opt Out Lawyer schedules the Disclosure Motion.

Please continue to check the 'Communication' section of the Website regularly for further updates as they become available.

Yours Truly,

Miller Thomson LLP,
solely in its capacity as
Representative Counsel

