

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N:

MERIDIAN CREDIT UNION LIMITED

Applicant

- and -

ADELAIDE STREET LOFTS INC.

Respondent

**APPLICATION UNDER SUBSECTION 243(1) 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**

**AFFIDAVIT OF BERNHARD HUBER
(sworn October 30, 2019)**

I, Bernhard Huber, of the City of St. Catharines, in the Province of Ontario, **MAKE OATH
AND SAY AS FOLLOWS:**

1. I am Senior Commercial Credit Specialist of Meridian Credit Union Limited (“**Meridian**”). Meridian is a secured creditor of Adelaide Street Lofts Inc. (the “**Debtor**”), the sole respondent herein, and I am responsible for Meridian’s recovery initiatives relating to the Debtor. As such, I have personal knowledge of the matters to which I hereinafter depose. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.

2. On September 30, 2019 I swore an affidavit (the “**First Affidavit**”) in support of an application by Meridian for an order, amongst other things, appointing msi Spergel Inc. as receiver of all the assets, undertakings and properties of the Debtor, including, without limitation, the real property municipally known as 263 Adelaide Street West, Toronto, Ontario. This affidavit is supplemental to my First Affidavit and provides an update on the events transpiring since my First Affidavit. Capitalized terms used herein but not otherwise defined have the meaning attributed to them in the First Affidavit.

INFORMATION OFFICER’S REPORT

3. As noted in my First Affidavit, the Information Officer was appointed under the IO Order. On October 7, 2019, the Information Officer filed a report (the “**IO Report**”) with the Court in respect of, among other things, the Transaction. A copy of the Information Officer’s report is attached hereto as **Exhibit “A”**.

4. The IO Report included a number of findings, including:

- (a) that the marketing and sales process undertaken by Bank of Montreal Capital Markets Real Estate Inc. was a typical process in the real estate industry and that is was a thorough market test;
- (b) that nothing has led the Information Officer to conclude that the Transaction was improvident;
- (c) that in a receivership proceeding, Investors may realize higher or lower recoveries than the recovery proposed in the Proposed Settlement, but that there would be additional uncertainty as compared to the Proposed Settlement; and
- (d) that in the event the Proposed Settlement is rejected by the Investors in favour of alternate transaction, it is likely that Meridian would bring a receivership application.

REPRESENTATIVE COUNSEL'S ACTIVITIES SINCE SEPTEMBER 30, 2019

5. On October 18, 2019, Rep Counsel filed the third report dated October 18, 2019 (the “**Third Report**”) for the purpose of expressing (a) a recommendation of the official committee of Investors (the “**Official Committee**”) regarding the proposed settlement to Investors pursuant to which the Transaction and Distribution would take place (such settlement, the “**Proposed Settlement**”) and (b) concerns over the single-class Investor voting structure. A copy of the Third Report is attached hereto as **Exhibit “B”**. Among other things:

- (a) Per paragraph 10 of the Third Report, the Official Committee determined that it did not support the Proposed Settlement and was unable to recommend that Investors approve it. The Official Committee came to that conclusion despite the “considerable uncertainty with respect to the outcome of any alternative to implementation of the Proposed Settlement” (per paragraph 12 of the Third Report).
- (b) At paragraph 20 of the Third Report, Rep Counsel recommended a number of amendments to the Proposed Settlement that would, among other things, provide for additional recovery to the Investors. Rep Counsel and the Official Committee expressly noted that any such amendments would not guarantee the support of either Rep Counsel or the Official Committee.

6. On October 21, 2019, Rep Counsel provided an update titled “Important Update on the Court Report of the Information Officer”. A copy of the October 21, 2019 communication is attached hereto as **Exhibit “C”**. In the communication, Rep Counsel advised that the Official Committee recommended voting against the Proposed Settlement.

THE MEETING

7. I am advised by Jonathan Yantzi, counsel to Meridian, that the Investors Meeting took place on October 23, 2019 as contemplated in the IO Order.

THE VOTE RESULT

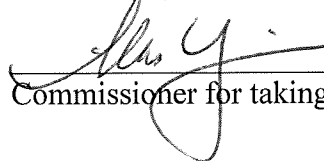
8. By letter dated October 28, 2019, Rep Counsel announced the vote results, which were that 66.17% of the Investors voted and of those, 70.636% voted against the Proposed Settlement of the Investors' investments. A copy of the October 28, 2019 letter is attached hereto as **Exhibit "D"**.

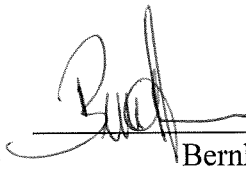
9. In order for the vote to pass, Investors representing 66^{2/3}% in value and a majority in number had to vote in favour of the Proposed Settlement.

10. Accordingly, the vote did not pass.

11. This affidavit is made in support of the within application.

SWORN before me at the City of
St. Catharines, in the Province of Ontario,
This 30th day of October, 2019


Commissioner for taking affidavits, etc.

) 
)
)
) _____
Bernhard Huber

**Allison Eluned Van Rooijen, a Commissioner,
etc., Province of Ontario, for
Meridian Credit Union Limited, Motus Bank
and Meridian OneCap Credit Corporation.
Expires May 8, 2021.**

Tab A

This is Exhibit "A" referred to in the Affidavit of Bernhard Huber sworn October 30, 2019.



Commissioner for Taking Affidavits (or as may be)

Allison Eluned Van Rooijen, a Commissioner,
etc., Province of Ontario, for
Meridian Credit Union Limited, Motus Bank
and Meridian OneCap Credit Corporation.
Expires May 8, 2021.

Court File No. CV-19-616261-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

**IN THE MATTER OF SECTION 60 OF THE TRUSTEE ACT, R.S.O. 1990, C. T.23, AS
AMENDED, AND RULE 10 OF THE ONTARIO RULES OF CIVIL PROCEDURE,
R.R.O. 1990, REG. 194, AS AMENDED**

**AND IN THE MATTER OF HI-RISE CAPITAL LTD. AND IN THE MATTER OF
ADELAIDE STREET LOFTS INC.**

REPORT OF THE INFORMATION OFFICER

ALVAREZ & MARSAL CANADA INC.

October 7, 2019

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INTRODUCTION

1. On March 19, 2019, Hi-Rise Capital Ltd. (“**Hi-Rise**”) made an application (the “**Initial Application**”) under section 60 of the *Trustee Act*, R.S.O. 1990, c. T.23, as amended and Rule 10 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, and on March 21, 2019, an initial order (the “**Initial Order**”), was granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) which, among other things:
 - (a) appointed Miller Thomson LLP as representative counsel (“**Representative Counsel**”) to represent the interests of all individuals and/or entities (the “**Investors**”)¹ that have invested funds in a syndicated mortgage investment (the “**SMI**”) administered by Hi-Rise in respect of the proposed development located at 263 Adelaide Street West, Toronto, Ontario (the “**Property**”), whose registered title is held by Adelaide Street Lofts Inc. (“**Adelaide**”) as nominee on behalf of the beneficial owner 263 Holdings Inc. (“**Holdings**”, and together with Adelaide, the “**Company**”), in connection with the negotiation and implementation of a settlement with respect to such investments;
 - (b) permits Hi-Rise to conduct a meeting of all Investors, including opt-out investors, in order for the investors to consider and, if determined advisable, pass a resolution approving a settlement transaction that would discharge the SMI and result in the distribution of certain proceeds; and
 - (c) directed Representative Counsel to establish an Official Committee of Investors (the “**Official Committee**”).

¹ The Initial Order allows for certain investors in the SMI to opt out of representation by Representative Counsel. Throughout this Report, the term “Investors” refers to all individuals and/or entities that have invested funds in the SMI, whether or not they have opted-out of such representation.

2. On April 15, 2019, the Court granted an Order constituting the Official Committee.
3. Since its appointment, Representative Counsel has issued two reports dated April 9, 2019 (the “**First Report of Counsel**”) and September 13, 2019 (the “**Second Report of Counsel**”, and together, “**Representative Counsel’s Reports**”). Representative Counsel’s Reports and other Court-filed documents, orders and notices in these proceedings are available on Representative Counsel’s case website at: <https://www.millerthomson.com/en/hirise/>.
4. On September 17, 2019, this Court made an order (the “**Information Officer Appointment Order**”) which, among other things, appointed Alvarez & Marsal Canada Inc. as a Court officer to act as an information officer (the “**Information Officer**”) in respect of Hi-Rise and the Property. A copy of the Information Officer Appointment Order is attached as **Appendix “A”**.
5. The Information Officer Appointment Order, among other things, outlines the Information Officer’s role, including:
 - (a) Pursuant to paragraph 4(b), the Information Officer is empowered and authorized *“to review and report to the Court and to all stakeholders... in respect of matters relating to the Property, Hi-Rise’s mortgage over the Property, and the Company’s proposed sale of the Property, including but not limited to, the marketing and sales process undertaken in respect of the Property, all aspects of any and all proposed transactions in respect of the Property (and in this regard, the Information Officer may engage in discussions with Tricon Lifestyle Rentals Investment LP to ascertain its interest in the Property), and the financial implications of such proposed transaction (the “**Mandate**”)”*; and

- (b) Pursuant to paragraph 9, *“on or before October 7, 2019, the Information Officer shall file a report with the Court in respect of the Mandate, including in particular whether sufficient effort has been made to obtain the best price in respect of the Company’s proposed sale of the Property, that the proposed sale is not improvident, and in respect of the efficacy and integrity of the process by which offers had been obtained.”*

TERMS OF REFERENCE AND DISCLAIMER

6. In preparing this report (the “**Report**”), the Information Officer has relied solely on the information and documents provided by Representative Counsel, Hi-Rise, its counsel Cassels Brock & Blackwell LLP (“**Cassels**”), and its financial advisor, Grant Thornton Limited (“**GT**”), the Company and its counsel McCarthy Tétrault LLP (“**McCarthy**”), the Company’s real estate broker, Bank of Montreal Capital Markets Real Estate Inc. (“**BMO**”), and discussions held with parties who participated in the marketing and sale process (collectively, the “**Information**”).
7. The Information Officer has reviewed the Information for reasonableness, consistency and use in the context in which it was provided. However, the Information Officer has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the Chartered Professional Accountants Canada Handbook (the “**Handbook**”), and accordingly, the Information Officer expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.

8. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Handbook, has not been performed.
9. Future-oriented financial information referred to in this Report was prepared based on estimates and assumptions made by Hi-Rise, the Company or as otherwise indicated herein. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, and the variations could be significant.
10. This Report should be read in conjunction with the Initial Application, the Information Officer Appointment Order and Representative Counsel's Reports.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

PURPOSE OF REPORT

12. The Information Officer understands that on October 23, 2019, pursuant to the Initial Order, Hi-Rise intends to hold a meeting of Investors (the "**Meeting**") in order to, among other things, allow the Investors to vote on a proposed settlement (the "**Proposed Settlement**"), which, if approved, would ultimately discharge the SMI in place, allow the Company to move forward with closing the Lanterra Transaction (as defined and described below) and result in the distributions contemplated in the Proposed Settlement.
13. As described later in this Report, the distributions contemplated in the Proposed Settlement will not be sufficient to fully repay the amounts owing to all Investors.
14. The Information Officer understands that if the Investors vote to approve the Proposed Settlement, Hi-Rise will bring a motion before this Court seeking approval of the Proposed

Settlement, however if Investors do not vote to approve the Proposed Settlement an alternate path forward will need to be pursued.

15. In performing its duties under the Mandate, the Information Officer has undertaken an extensive review of the following:

- (a) the events prior to and following the date of the Initial Application that resulted in the Lanterra Transaction and the Proposed Settlement;
- (b) the design, implementation and results of the Sale Process (as defined below) and whether sufficient effort was made to obtain the best price under the circumstances;
- (c) the Lanterra Transaction and the Proposed Settlement, including financial and other implications to Investors; and
- (d) potential alternatives that may be available to Investors, including, as requested by the Court, an evaluation of Tricon Lifestyle Rentals Investment LP's ("**Tricon**") interest in the Property.

16. Pursuant to the Mandate, the Information Officer held a number of diligence meetings with and reviewed extensive Information received from:

- (a) Representative Counsel and the Official Committee;
- (b) the Company, its principal Mr. Jim Neilas and McCarthy;
- (c) BMO (the Company's real estate broker);
- (d) Hi-Rise and Cassels; and
- (e) Lanterra Developments Inc., Tricon and certain other parties that expressed an interest in or were otherwise involved in the Sale Process (the "**Interested Parties**").

17. The Information Officer's conclusions and other findings are outlined in the last section of this Report.

THE INFORMATION OFFICER'S REVIEW

Case Background

18. The affidavit of Noor Al-Awqati (sworn March 19, 2019 and found at Tab 2 of the Initial Application Record) (the "**Al-Awqati Affidavit**") sets out the history of the Company and the Property, including Hi-Rise's involvement as administrator and trustee of the SMI, which is summarized below:
- (a) the Company purchased the Property in June of 2011 for the purpose of developing a high-rise condominium;
 - (b) Jim Neilas is the President and majority shareholder of Holdings, the parent company of Adelaide;
 - (c) Meridian Credit Union Limited ("**Meridian**") holds a first mortgage in respect of the Property and has registered a charge in that regard (the "**Meridian Mortgage**"). As of the date of this Report, Meridian is owed approximately \$17.0 million, including principal and accrued interest; and
 - (d) the SMI is a second mortgage in respect of the Property and Hi-Rise has registered charges in that regard. As of the date of this Report, the debt owing under the SMI is approximately \$67.9 million, including principal and accrued interest. As such, there is approximately \$84.9 million in outstanding secured debt on the Property².

² Materials provided to the Information Officer indicate that Meridian has a first mortgage on the Property and the SMI ranks subordinate to Meridian. Neither the Information Officer nor its counsel have conducted a security review.

19. Following its acquisition of the Property, the Company took steps to advance the development prospects of the Property, including engaging various professionals and submitting zoning, development and building applications. During this time, and prior to the commencement of the formal marketing and sale process described below, the Information Officer understands that the Company explored and pursued various strategic alternatives in an attempt to test the market and potentially divest all or part of the Property. During this period however, a formal marketing process was never initiated and no executable sale transaction materialized.
20. As described in the Al-Awqati Affidavit, following the events in 2017 referred to as the syndicated mortgage “freeze”, Hi-Rise began working with its borrowers in order to commence a voluntary wind-up of its syndicated mortgages portfolio and instructed a number of its borrowers to commence marketing and sale processes to divest the properties to which it was lending. In this regard, the Company commenced a marketing and sale process for the Property.
21. Due to the impact of the syndicated mortgage freeze, Hi-Rise stopped making cash interest payments to Investors in relation to the Property in April of 2017 and stopped raising new funds from Investors in October of 2017.

BMO's Engagement by the Company

22. The Information Officer understands that the Company considered a small group of reputable parties to act as its broker and conduct a marketing and sale process on its behalf. This group was narrowed down and the Company requested proposals from two brokers, BMO and CBRE Limited. The Company interviewed the two parties and ultimately selected BMO to act as its broker in June of 2017.

23. Pursuant to its engagement letter, BMO's compensation for undertaking the marketing and sales process would be a contingency fee based on gross sales price, including increased compensation for a sale price exceeding certain thresholds.
24. BMO's mandate was to assist in the design and implementation of a marketing and sale process for the Property, including:
- (a) assisting in the development of an investment summary, confidential information memorandum ("**CIM**"), an electronic data room and other diligence materials;
 - (b) compiling a list of potentially interested parties, communicating with such parties in respect of the opportunity and making itself available to answer questions and address diligence requests; and
 - (c) negotiating with interested parties during the process in order to maximize the purchase price of potential offers. The Information Officer notes that the maximum purchase price is not necessarily the same as the maximum cash consideration available on closing³.
25. Based on discussions with BMO and a review of the information provided, the Information Officer understands the marketing and sale process followed BMO's standard two phased process:
- (a) during the first phase ("**Phase 1**"), potentially interested parties are contacted to solicit interest, an investment summary is provided and parties that sign a non-disclosure agreement ("**NDA**") are invited to undertake due diligence and submit a letter of interest ("**LOI**"). These Phase 1 LOIs are evaluated to determine which

³ The Information Officer understands that as a result of increased land values and construction costs, it is now more common for real estate transactions especially in downtown Toronto to include joint venture and/or vendor takeback structures which allow for higher purchase prices but lower cash consideration on closing.

parties, if any, would be invited to participate in a second phase (the “**Qualified Parties**”); and

- (b) during the second phase (“**Phase 2**”), Qualified Parties are given additional time to perform due diligence and are encouraged to enhance their purchase price and limit conditions. Qualified Parties are provided a standard form of agreement of purchase and sale (“**APS**”) and are requested to submit final bids by marking-up and submitting an APS by the bid deadline.

26. The Information Officer is of the view that: (a) BMO is an experienced and qualified broker and advisor capable of running a robust and competitive marketing and sale process; (b) BMO’s engagement letter is consistent with industry standards and provided appropriate incentive to achieve the maximum sale price possible in the circumstances; and (c) the marketing and sale process was of a typical structure and consistent with similar real estate processes designed to achieve the maximum sale price possible in the circumstances.

The 2017 Sale Process

27. BMO commenced its first marketing and sale process in June of 2017 (the “**2017 Sale Process**”). The 2017 Sale Process was a combined process for the Property (i.e. 263 Adelaide Street West) and a second parcel of real estate located at 40 Widmer Street in Toronto (“**Widmer**”)⁴. Interested Parties were advised that they could bid on both properties together or each individually.
28. The Information Officer understands that BMO contacted over 2,500 parties to solicit interest in the 2017 Sale Process. BMO received 47 executed NDAs of which ten parties

⁴ Widmer is located in close proximity to the Property and was previously owned by an entity ultimately controlled by Jim Neilas.

submitted LOIs on or before the Phase 1 bid deadline of September 7, 2017. Of this group, seven bidders submitted an LOI for both the Property and Widmer (the “**Joint Offer LOIs**”) and three bidders submitted an LOI for Widmer only. No bidder submitted an LOI for the Property only.

29. The consideration outlined in the seven Joint Offer LOIs received for the Property ranged in value from \$43.7 million to \$80.0 million. The Information Officer understands that 2017 Phase 1 bids were presented to the Company on a “no-names” basis in order to preserve the integrity and competitive nature of the 2017 Sale Process.
30. BMO invited five of the ten bidders to participate in Phase 2 as Qualified Parties. The Information Officer understands the five Qualified Parties were selected based on the quantum of their purchase price and the quality of the diligence they had performed. Of the five Qualified Parties, two parties had interest in Widmer only, leaving three Qualified Parties with interest in the Property. The range in values offered by such parties in respect of the Property was \$59.4 million to \$80.0 million.
31. The five remaining Qualified Parties (including the three with interest in the Property) were requested to submit final bids by the Phase 2 bid deadline of September 19, 2017 in the form of a marked-up APS.
32. Of the three Qualified Parties which submitted Joint Offer LOIs: (a) one party, Concord Adex Buildings Limited (“**Concord**”), submitted a formal bid in the form of a marked-up APS; (b) a second party expressed its bid verbally to BMO; and (c) the third party declined to submit a bid.

33. Concord was the leading Qualified Party in respect of both the Property and Widmer and was granted a period of exclusivity to complete its diligence and execute an APS on each of the properties.
34. The Information Officer understands that during its due diligence period, Concord communicated to BMO that primarily due to a number of construction challenges relating to the Property it would not proceed with its contemplated transaction⁵.
35. Concord completed its diligence and the closing of its purchase transaction in respect of Widmer occurred in December of 2017.
36. The construction challenges identified by Concord, as well as the other Interested Parties participating in the 2017 Sale Process, included, but were not limited to, the following:
- (a) *Heritage Wall*: The north-façade of the Property (the “**Heritage Wall**”) has been designated by the City of Toronto (the “**City**”) as a “heritage site” and may not be removed, demolished, or altered without approval from the City;
 - (b) *Site Issues*: The Property is situated on a site that is currently land-locked by surrounding properties, including sites currently under construction, with the only access available on Adelaide Street. Adelaide Street is a one-way street that is heavily trafficked by pedestrians, cyclists and vehicles. Access to the Property is also located directly across from a fire station;
 - (c) *Rental Replacement*: Prior to developing the Property, the City imposes certain conditions that must be satisfied in connection with any residential tenants currently on the site; and

⁵ As of the date of this report, the Information Officer has not been able to schedule a meeting with Concord to discuss its participation in the 2017 Sale Process.

- (d) *Easements*: The Property and surrounding area are subject to a number of easements. It is unclear whether or not such existing easements would be sufficient for construction purposes.

(collectively referred to as the “**Construction Challenges**”).

37. Based on discussions with the Interested Parties, the Information Officer understands that the Construction Challenges created a high level of uncertainty in relation to the costs and the time required to demolish and develop on the site of the Property, hindering their ability to participate in the 2017 Sale Process and/or submit a firm and executable bid for the Property.

The 2018 Sale Process

38. In an effort to address the Construction Challenges and other issues raised during the 2017 Sale Process, the Company took steps and incurred expenditures to mitigate certain issues and assist Interested Parties with diligence. These steps included:
- (a) commissioning two construction methodology reports⁶;
 - (b) executing a Heritage Easement Agreement (October 16, 2017) with the City in order to allow the Heritage Wall to be altered for future development under certain conditions; and
 - (c) obtaining certain additional approvals from the City related to rental replacement, community contribution (Section 37), and storm water management agreements.

⁶ The two reports include: (i) 263 Adelaide St. West Methodology Report (dated February 12, 2018) prepared by Ledcor Group (the “**Ledcor Report**”); and (ii) 263 Adelaide St Preconstruction Report No. 1 (dated June 19, 2018) prepared by EllisDon Corporation (the “**EllisDon Report**”).

39. The Company has indicated that it incurred in excess of \$2.7 million in third party costs to continue to improve the marketability of the Property, and that such costs were funded directly by Holdings. This amount excludes any costs that may be owing by Adelaide to Holdings for ongoing management fees, which are estimated by Holdings to be an additional \$2.5 million.
40. Following the steps taken above, the Company re-engaged with BMO and a second sale process was commenced in August of 2018 (the “**2018 Sale Process**” and together with the 2017 Sale Process, the “**Sale Process**”).
41. The Information Officer understands that BMO contacted over 2,500 parties to solicit interest in the 2018 Sale Process. BMO received 37 executed NDAs of which, four bidders submitted LOIs on or before the 2018 Phase 1 bid deadline of September 18, 2018.
42. The 2018 Phase 1 LOIs ranged in value from \$59.1 million to \$75.0 million. The Information Officer understands that the 2018 Phase 1 bids were presented to the Company on a “no-names” basis in order to preserve the integrity and competitive nature of the Sale Process.
43. The Information Officer reviewed each of the LOIs and noted that each were subject to various diligence and other closing conditions, including further construction and development related investigations, satisfaction with the viability, feasibility and costs associated with development, satisfaction that the Property meets investment and development criteria, receiving certain approval from the City including amendments to the existing Heritage Easement Agreement, receiving a court order to extinguish/amend easements, executing construction agreements with adjacent property owners and obtaining approval from boards of directors or investment committees.

44. Two bidders were advanced by BMO to participate in Phase 2, including: (a) Lanterra Developments Limited (“**Lanterra**”) which submitted an LOI valued at \$75.0 million; and (b) a second bidder (the “**Second Bidder**”) which submitted an LOI valued at \$70.0 million. The Information Officer understands that Lanterra and the Second Bidder were selected based on the quantum of their purchase price and the quality of diligence performed⁷.
45. Lanterra and the Second Bidder (the “**2018 Qualified Bidders**”) were each sent a process letter requesting they submit final bids by October 5, 2018 (the “**2018 Phase 2 Bid Deadline**”) in the form of a marked-up APS. The Information Officer understands that neither party submitted a final offer prior to the 2018 Phase 2 Bid Deadline. Following discussions with Lanterra and the Second Bidder, BMO determined the parties were not prepared to submit definitive offers at the purchase prices offered in their LOIs due to continued concern and uncertainty with the Construction Challenges.
46. Following the 2018 Phase 2 Bid Deadline, BMO began exploring alternate transaction structures with the two bidders executable at the purchase prices offered in their LOIs. Based on these discussions, BMO determined that in order to effect a transaction while maximizing the purchase price, the 2018 Phase 2 Bid Deadline should be extended and the 2018 Qualified Bidders should be invited to submit joint venture proposals.
47. The Information Officer understands that joint venture structures typically allow for higher purchase prices for various reasons, including, without limitation, the sharing of risk and

⁷ The Information Officer notes that a third party submitted a 2018 Phase 1 bid comparable in value to that of the Second Bidder. The Information Officer understands from BMO that in its view, this party had not performed a significant amount of diligence, was not prepared to increase its purchase price and would not remove significant conditions included in its bid and accordingly was not invited to participate in Phase 2. Based on discussions with this party, the Information Officer is of the view that BMO’s rationale to not advance this party to Phase 2 was reasonable in the circumstances.

the lower initial cash outlay required by the prospective purchaser, thereby increasing their rate of return.

Joint Venture Proposals

48. During October of 2018, the 2018 Qualified Bidders were invited to meetings with BMO and the Company to discuss and explore their intentions for the Property, including how they intended to deal with the Construction Challenges.
49. Following these meetings, the 2018 Qualified Bidders were requested to submit a joint venture proposal (“**JV Proposal**”) that would provide for their final and best offer.
50. Lanterra submitted a JV Proposal on November 13, 2018 (the “**Lanterra JV Proposal**”). The Second Bidder submitted formal correspondence to BMO regarding continued interest in the Property but did not submit a formal JV Proposal by the requested date.
51. The Information Officer understands from BMO that after numerous meetings with the Second Bidder, it settled on a joint venture structure in a form that could be presented to the Company.
52. The Information Officer understands that two additional parties expressed interest to BMO in participating in a joint venture and submitted a JV Proposal. One of these JV Proposals was in an acceptable form, while the other was not and accordingly was not considered to be qualified.
53. In December of 2018, the three JV Proposals were presented to the Company on a “no-names” basis. Following additional meetings and review, the Information Officer understands that the Company selected the Lanterra JV Proposal based primarily on the following factors:

- (a) the Lanterra JV Proposal provided for the highest purchase price and greatest potential profit at completion of development. As noted earlier in this Report, it has become more common for downtown Toronto land transactions to include certain structures that increase purchase price but decrease cash consideration on closing. The Information Officer understands from discussions with Lanterra that its purchase price was premised on a joint venture structure as it allows for the sharing of risks and a lower initial cash investment that is needed to achieve its required rate of return;
 - (b) Lanterra had performed extensive diligence and investigation on the Property and spent considerable time and effort developing approaches to address the Construction Challenges; and
 - (c) Lanterra is a reputable developer with extensive experience building in downtown Toronto on sites that contained construction challenges similar to those at the Property.
54. Throughout January and February 2019, the Company and Lanterra worked towards settlement of the Lanterra JV Proposal. The parties reached an agreement on a letter of intent with Lanterra on February 13, 2019.
55. In March and April 2019, the Company and Lanterra continued to negotiate a term sheet which was ultimately executed on April 10, 2019 (the “**Term Sheet**”).

ASSESSMENT OF THE SALE PROCESS

56. The Information Officer reviewed the design and implementation of the Sale Process, a short list of the parties contacted⁸ and each of the bids submitted during all phases of the Sale Process. A summary of the Information Officer's conclusions is as follows:

- (a) the design of the Sale Process was typical of such marketing and sale processes in the real estate industry;
- (b) the materials utilized, including the investment summary, CIM and documents uploaded to the electronic data room were robust;
- (c) the list of potentially interested parties compiled by BMO was extensive, thorough, and provided for wide market coverage;
- (d) the Sale Process allowed interested parties adequate opportunity to conduct due diligence and the timelines provided for were reasonable;
- (e) the activities undertaken by BMO were thorough and professional, and consistent with the activities that a competent advisor or broker would be expected to undertake;
- (f) BMO was appropriately incentivized to achieve the highest value available for the Property;
- (g) the steps taken by BMO, including the selection of bidders to advance into further rounds, were consistent with the activities that other brokers or sale advisors would be expected to perform; and

⁸ The Information Officer understands BMO contacted over 2,500 parties in connection with each of the marketing and sale processes. The Information Officer determined it was not feasible to review all of the parties and instead reviewed a short list of Interested Parties.

- (h) BMO sought to maximize transaction value by adjusting the Sale Process to include joint venture proposals when no cash offers materialized.
57. To gain a better understanding of the Sale Process and results thereof, the Information Officer held a number of discussions with Interested Parties to discuss matters including, but not limited to, the following:
- (a) was there any concern or issue with respect to the Sale Process and how it was run?
 - (b) was BMO attentive and responsive in conducting the Sale Process?
 - (c) what were the primary reasons why Interested Parties did not further pursue a transaction?
58. The Information Officer's findings from discussions with the Interested Parties are summarized as follows:
- (a) no concerns were identified with respect to the Sale Process or how it was conducted;
 - (b) the Interested Parties were complimentary of the work undertaken by BMO, noted BMO was helpful and responsive in all instances and no concerns were identified with respect to their conduct;
 - (c) despite the steps taken by the Company to address the Construction Challenges, the Interested Parties raised significant concern regarding the uncertainty of the costs and timing of construction, in particular that changes may be required to the design and zoning of the Property and the uncertainty in connection with the Heritage Wall and other constructability issues with the site. Interested Parties commented that given the high level of uncertainty, initial purchase prices submitted in LOIs would need to be materially discounted or an alternate structure would be required (i.e. a

joint venture or vendor takeback structure) in order to transact at such purchase prices; and

- (d) certain Interested Parties informed the Information Officer that based on market trends at the time and comparable transactions, including Widmer, they did not participate in the Sale Process or submit formal offers because they did not wish to transact at such values.

- 59. Based on its review, the Information Officer is of the view that the Sale Process was a thorough market test, that sufficient effort had been made to obtain the best price in respect of the Property and that the process was executed with proper efficacy and integrity.
- 60. In particular, the Information Officer concludes that the design and implementation of the Sale Process was consistent with industry standards and was carried out by BMO in a thorough and professional manner.
- 61. The Information Officer notes that the Sale Process was not specifically designed with the goal to maximize the cash proceeds on closing but to maximize the consideration and ultimate proceeds thereof, even if portions of proceeds may be deferred until a later date. In that regard, the Sale Process was consistent with BMO's mandate to maximize transaction value.

LANTERRA TRANSACTION

Lanterra Offer

- 62. As previously discussed, on April 10, 2019, Lanterra and the Company entered into the Term Sheet setting out the key terms of the joint venture agreement. On June 28, 2019, following further negotiations and refinement of deal points, Lanterra and the Company

entered into a Waiver and Amending Agreement dated June 28, 2019 (the “**JV Agreement**” and together with the Term Sheet, the “**Lanterra Transaction**”).

63. The Information Officer was provided with copies of the Term Sheet, the JV Agreement and all related schedules. The Information Officer understands that the Company and Lanterra consider these documents to be confidential and has not appended them hereto but has instead included a summary of key terms:

Lanterra Transaction	
JV Transaction	<ul style="list-style-type: none"> ▪ Lanterra and the Company to form a single purpose limited partnership (“LP”) in which Lanterra would acquire an interest in 75% of the Property and the assets, books and records related to the redevelopment of the Property (the “Lanterra Project”). The Company would retain a 25% interest in the Lanterra Project; ▪ BRE Fund LP, being part of the Bank of Montreal’s private equity group, will have the option to purchase 15% of Lanterra’s interest (the “Investor Option”) in the Lanterra Project.
Transaction Value and Initial Capitalization	<ul style="list-style-type: none"> ▪ Transaction value of \$73.15 million, capitalized as follows: <ul style="list-style-type: none"> i. LP will grant a first mortgage on the Property in the amount of \$36.58 million (the “First Mortgage”); ii. The Company will be granted a vendor takeback mortgage of approximately \$18.29 million (the “VTB”); and iii. The Company will contribute equity-in-kind of approximately \$18.29 million in exchange for its 25% share of the Lanterra Project.
First Mortgage Terms	<ul style="list-style-type: none"> ▪ The LP will immediately distribute the mortgage proceeds as follows: <ul style="list-style-type: none"> i. to discharge the Meridian Mortgage; and ii. to be used as a return of capital to allow it to retire the Syndicated Mortgage.
VTB Mortgage Terms	<ul style="list-style-type: none"> ▪ Secured against title to the Property, ranking behind the First Mortgage and any surety financing. Will not be subordinate to construction financing; ▪ Expires on the earlier of (a) receipt of certain construction permits; and (b) three years from the closing date of the Lanterra Transaction; ▪ Bears interest at 5% per annum during the first two years and 8% per annum for the final year; ▪ Entirety of the VTB to be guaranteed by Lanterra; and ▪ Lanterra to repay principal and interest then due on the VTB out of Lanterra’s own resources.

Interest Reserve	<ul style="list-style-type: none"> ▪ Lanterra will fund approximately \$1.85 million to an interest reserve account to prefund the first two years of interest obligations under the VTB.
Company's Fees	<ul style="list-style-type: none"> ▪ The Company is entitled to the following fees: <ul style="list-style-type: none"> i. Development Fee: 0.25% of revenues from the Lanterra Project⁹; and ii. Property Management Fee: \$5,000 per month during the term of the Lanterra Project (5-6 years).
The Company Guarantee	<ul style="list-style-type: none"> ▪ The Company is required to jointly and severally guarantee 25% of all obligations of the LP in respect of any project debt.

64. The Information Officer understands that Lanterra has completed all diligence and provided the deposits contemplated in the Term Sheet. Closing of the Lanterra Transaction is subject to: (a) approval of the Investors (as described further below); and (b) execution of certain documents including definitive agreements governing the LP, the Investor Option, and agreements for development, construction and property management (the “**Transaction Agreements**”). The Information Officer has been provided with current drafts of the Transaction Agreements and understands they have been substantially negotiated.
65. The Information Officer notes that definitive documents related to the VTB have not yet been drafted.

The Company's Projected Returns

66. The Information Officer has been provided with a copy of a financial forecast in respect of the Lanterra Project (the “**Proforma**”), which is attached as **Appendix “B”**. The Proforma estimates the development will take up to six years and projects a total profit of

⁹ Should BRE Fund LP exercise its option, and achieve a baseline internal rate of return, the Company could be eligible for an additional Deferred Development Fee of 0.5% of Project Revenues.

approximately \$66.0 million to the LP, based on Lanterra's estimate of revenues and expenses.

67. Based on the Information Officer's review of the Proforma and the Lanterra Transaction, the Company's projected return at the completion of the Lanterra Project is estimated to be approximately \$34.8 million, comprised of:
- (a) a return of capital of approximately \$18.3 million (i.e. the Company's initial contribution for 25% interest in the LP); and
 - (b) the Company's share of the potential profit of approximately \$16.5 million (i.e. 25% of \$66.0 million).
68. In addition to the above proceeds, the Company is projected to earn approximately \$3.0 million over the term of the Project (up to 6 years) in connection with development and property management fees.
69. As described in the following section, the Information Officer understands that the Company is proposing to provide a \$15 million debenture to Investors as additional compensation in connection with the Proposed Settlement. Should the Proforma be representative of actual Lanterra Project economics, the Company's potential profit and fees, net of the obligations owing under the debenture, would equal approximately \$22.8 million, excluding any tax considerations (i.e. \$34.8 million plus \$3.0 million less \$15.0 million). The Company has indicated that the remaining share of potential profit is to compensate Holdings: (a) for time and effort to assist Lanterra in completion of the Lanterra Project; and (b) to recoup funds advanced by Holdings to Hi-Rise and Adelaide to fund both operations and additional costs incurred to improve the Property subsequent to the syndicated mortgage freeze. Should the Lanterra Project fail in its entirety, Holdings

could be liable for up to 25% of the outstanding Lanterra Project debt pursuant to certain loan guarantees.

70. Future success and profit of the Lanterra Project is dependent upon many factors, including market conditions, timing of completion and ultimate construction costs. While the development and property management fees would be earned over the life of the Lanterra Project, the return of capital and profit share would not be earned by the Company until project completion which is currently estimated at approximately five to six years. Actual results may differ significantly from that of the Proforma.
71. The Information Officer notes that the Bank of Montreal may continue to participate in the joint venture after closing through advancement of the First Mortgage and potential participation in the Investor Option. It is the understanding of the Information Officer that the First Mortgage is being arranged directly by Lanterra (with no Company involvement) and the Investor Option was negotiated at the direction of the Company after Lanterra was selected as the preferred party.
72. Based on its review of the Information and discussions with the parties noted in paragraph 16 of this Report, nothing has led the Information Officer to conclude that the Lanterra Transaction would be considered to be an improvident transaction.

PROPOSAL TO INVESTORS

73. A fundamental condition in the Lanterra Transaction is for the Company to discharge the SMI registered against title to the Property. On September 6, 2019, Hi-Rise provided an Information Statement (the “**Information Statement**”) to Investors which, among other things, calls for a meeting of Investors in order for the Investors to conduct a vote on the Proposed Settlement. The Information Officer understands the Meeting is currently

contemplated to be held on October 23, 2019. The Information Statement was attached to the Second Report of Counsel as Appendix “AA”, and has been attached to this report as **Appendix “C”**. A summary of the key financial terms is as follows:

Information Statement	
Classes of Investors	<ul style="list-style-type: none"> Two types of Investors, those who hold their beneficial interest in the Syndicated Mortgage via a registered investment plan (the “Registered Investors”) and those who hold their beneficial interest in the Syndicate Mortgage directly with Hi-Rise (the “Non-Registered Investors”). Registered Investors are provided a priority in the waterfall; and Approval will require Investors representing two thirds in value and majority in number to vote in favour of the Proposed Settlement.
Offer to Settle	<ul style="list-style-type: none"> Repayment to Investors of approximately \$17,036,000 on closing (the “Initial Settlement”); Investors to have the benefit of the VTB of \$18,270,000. The terms of the VTB are described in the overview of the Lanterra Transaction. Purchaser has agreed to provide a full corporate guarantee on the VTB¹⁰; and A debenture from Holdings in the amount of \$15,000,000 (the “Debenture”)¹¹, unsecured and non-interest bearing, payable six years from the date of closing.
Guarantees in Respect of Debenture	<ul style="list-style-type: none"> Corporate guarantee of Holdings; and Personal guarantee by Jim Neilas limited to 25% of the total debenture.
Implementation	<ul style="list-style-type: none"> October 23, 2019 – Meeting to vote on the Proposed Settlement November 2019 – Final Court Order December 2019 – Closing & Initial Repayment to Investors December 2021 or December 2022 – Repayment of VTB December 2025 (estimate) – Debenture paid

¹⁰ The Information Officer understands that specific documentation related to the structure of the VTB and the Debenture has not yet been prepared.

¹¹ The Information Statement includes an \$8,000,000 Debenture, however, the information Officer is advised by the Company that the current Proposed Settlement now contemplates a \$15,000,000 Debenture.

74. The Information Officer understands from Hi-Rise that the Registered Investors rank in priority to the Non-Registered Investors for principal, interest accrued to date and interest continuing to accrue. The Information Officer has not performed a legal review of these priorities but understands that Representative Counsel will be setting out its analysis of priorities in a report, to be filed with the Court.
75. The Information Officer understands that upon approval of the Proposed Settlement, no further interest will accrue to Investors and rights to any further interest payments, if any, are waived.
76. Based on the information contained in the Information Statement, together with additional information provided by the Company, Hi-Rise and GT, the Information Officer projected potential Investor recoveries from the Proposed Settlement, including timing of receipt of funds, which can be found in detail in **Appendix "D"** and is provided in summary form below.

Projected Return to Investors (in '000s)			
	Notes	Undiscounted	Present Value as at Dec. 2019 ⁽¹⁰⁾
Proceeds from Lanterra Transaction			
First Mortgage (December 2019)	1	36,575	36,575
VTB Mortgage Interest Reserve (December 2019)	2	1,850	1,850
VTB Mortgage (December 2021)	3	18,270	15,099
Proceeds from Lanterra Transaction		56,695	53,524
Less: Retirement of Meridian Mortgage	4	(17,218)	(17,218)
Less: BMO Sale Fee	5	(1,615)	(1,615)
Less: Hi-Rise Cost Recovery	6	(2,214)	(2,214)
Less: Property Taxes	7	(343)	(343)
Proceeds from Lanterra Transaction available to Investors		35,306	32,135
Add: Debenture (December 2025)	8	15,000	8,467
Total Proceeds available to Investors		50,306	40,602
Proposed Distributions to Registered Investors			
On Closing (December 2019)		17,036	17,036
On Repayment of VTB Mortgage (December 2021)		5,280	4,364
Total Distribution to Registered Investors		22,316	21,399
<i>Return to Investors Excluding Interest Paid to Date</i>	9	100%	96%
Proposed Distributions to Non-Registered Investors			
On Closing (December 2019)		-	-
On Repayment of VTB Mortgage (December 2021)		12,990	10,736
On Completion Date (December 2025)		15,000	8,467
Total Distribution to Non-Registered Investors		27,990	19,203
<i>Return to Investors Excluding Interest</i>	9	60%	41%
Total Proposed Distribution to Investors		50,306	40,602

Summary of Notes & Key Assumptions

1. The Information Officer understands that proceeds from the First Mortgage and VTB Interest Reserve will be distributed to Investors on, or shortly after, closing of the Lanterra Transaction.
2. Notwithstanding the provisions of the Term Sheet, it is anticipated that the full amount of the VTB Interest Reserve will be paid to Investors at close (December 2019).
3. Repayment of the VTB is anticipated to be after two or three years. The Information Officer understands that the VTB may be extended for a third year with Investors receiving additional cash interest at 8% of the principal amount.
4. Amounts owing in respect of the First Mortgage will be paid to Meridian on closing of the Lanterra Transaction. Hi-Rise has estimated the balance above based on accrued interest to December 11, 2019 and including a provision for legal fees.
5. The BMO Sale Fee is estimated by Hi-Rise based on the terms of the BMO engagement letter and a transaction value of \$75.0 million (transaction value of \$73.15 million plus prefunding of VTB interest of \$1.85 million). The Information Officer reviewed the calculation of this fee and notes that the balance presented above includes HST, which, if recoverable by the Company may slightly increase amounts distributed to Investors.
6. As further discussed below, the Information Officer understands that Hi-Rise asserts that pursuant to agreements with Investors, Hi-Rise has the ability to recover certain costs. The costs included above by Hi-Rise include the legal and professional fees related to this process, including Hi-Rise's counsel, the Company's counsel, Representative Counsel, the Information Officer and a provision for other consultants and costs incurred by Holdings.

7. Property taxes were estimated by Hi-Rise based on amounts outstanding as at October 1, 2019 plus two months' accrued interest on the property taxes.
 8. The Information Officer understands from the Company that the Proposed Settlement now contemplates a \$15 million Debenture that would be paid to Investors upon the completion of the Lanterra Project (i.e. approximately 6 years).
 9. Total projected return to investors are calculated as follows: (total return / (principal plus accrued interest to December 2019)). This excludes return from interest previously paid to Investors.
 10. For presentation purposes only, the Information Officer has included the present value of distributions based on the current anticipated timing of certain payments and a 10% discount factor.
77. Included in the table above, the Information Officer has estimated the present value of contemplated payments to illustrate the impact of the deferred distributions to Investors (i.e. the VTB and Debenture). The present value of deferred distributions was calculated using a discount rate of 10% which the Information Officer understands from Hi-Rise is the indicative interest rate they pay to Investors (interest rates vary depending on the time of the investment). The distributions from the repayment of the VTB are assumed to be collected two years from closing (December 2021) and the proceeds from the Debenture are assumed to be collected six years from closing (December 2025).
78. The Information Officer understands that in development of the Proposed Settlement, Hi-Rise and/or the Company is seeking reimbursement of certain costs related to the Lanterra Transaction and the Proposed Settlement (legal and other fees totaling \$1.2 million) and Holdings' own costs of \$1.0 million, for a total of \$2.2 million. While Hi-Rise/the Company have asserted that actual costs are higher than \$2.2 million, the Information Officer understands that the Company is proposing a \$2.2 million cap.
79. As further detailed in the GT Report dated August 30, 2019 (the "**GT Report**"), and confirmed through communication with Cassels, the Information Officer understands that Hi-Rise and/or the Company are taking the position that they are actually entitled to a priority of up to \$9.0 million pursuant to the participation/administration agreements with

Investors for costs incurred to enhance the value of the Property and would be seeking same in the event that the Property becomes subject to receivership proceedings (the “**Potential Priority Costs**”). The Information Officer understands that \$5.1 million of the Potential Priority Costs were incurred by Hi-Rise (the “**Hi-Rise Potential Priority Costs**”) and \$4.2 million of costs were incurred by Adelaide. Neither the Information Officer or GT have undertaken a legal review of the Potential Priority Costs. The Information Officer notes that of the \$5.1 million in Hi-Rise Potential Priority Costs, approximately \$0.4 million relate to Representative Counsel’s legal fees which form a priority charge on the Property. The Information Officer understands that litigation risk in relation to the Potential Priority Costs should be considered by the Investors in their evaluation of the Proposed Settlement.

80. The following table further summarizes the projected distributions and overall recoveries to Investors. Recoveries have been estimated based on total amounts owing to Investors, including interest and principal¹² per the books and records of Hi-Rise, including interest accrued to December 11, 2019 and are presented below on an undiscounted basis:

¹² The Information Officer understands that the recovery calculations included in the Information Statement provided to Investors are based only on principal outstanding.

Recovery Analysis (Undiscounted)			('000s)
	Registered	Non-Registered	Total
Principal Invested	17,305	34,802	52,108
Estimated Accrued Interest as at December 2019	5,010	11,766	16,776
Total Principal and Interest Owed	22,316	46,568	68,884
On Closing (December 2019)	17,036	-	17,036
On Repayment of VTB (December 2021)	5,280	12,990	18,270
On Completion Date (December 2025)	-	15,000	15,000
Total Projected Recoveries	22,316	27,990	50,306
Total Projected Recoveries (%)	100%	60%	73%
Add: Cash Interest Received to Date	3,095	7,431	10,526
Total Projected Recoveries and Interest	25,410	35,421	60,832
Total Projected Recoveries and Interest (%)	114%	76%	88%

81. Based on the Proposed Settlement, Registered Investors are projected to receive a 100% recovery:
- (a) approximately \$17.0 million at close (December 2019) from the proceeds of the new First Mortgage and the payment of the VTB Interest Reserve; and
 - (b) approximately \$5.3 million two years from close (December 2021) from the repayment of the VTB.
82. Non-Registered Investors are projected to receive a 60% recovery:
- (a) approximately \$13.0 million two years from close (December 2021) from the repayment of the VTB; and
 - (b) approximately \$15.0 million six years from close (December 2025) from the payment of the Debenture.
83. The Information Officer notes that these recoveries have not been discounted and certain of the distributions (i.e. the Debenture) could be contingent on the success of the Lanterra Project, however the Information Officer also notes that the Debenture is to be wholly guaranteed by Holdings and 25% is guaranteed by Jim Neilas personally.

OTHER INDICATIONS OF POTENTIAL VALUE

84. The Information Officer has considered other indications of value and whether there may be viable alternatives to the Proposed Settlement, in particular the following:
- (a) the Tricon offer;
 - (b) Third Party Appraisals; and
 - (c) re-opening the marketing and sale process / Receivership.

Tricon Offer

85. The Information Officer understands that Tricon¹³ first expressed interest in the Property in or around August of 2016. The Information Officer has been provided with and reviewed email correspondence between Tricon and the Company and understands that Tricon performed diligence on the Property and several meetings between Tricon and the Company were held. Ultimately, Tricon and the Company were unable to come to any type of arrangement prior to commencement of the 2017 Sale Process.
86. The Information Officer understands that Tricon participated in the 2017 Sale Process. Tricon submitted a Phase 1 bid but due to its relative value, was not invited to participate in Phase 2. Tricon was invited by BMO to participate in the 2018 Sale Process but declined to participate.
87. As described in the Second Report of Counsel, Representative Counsel received an unsolicited expression of interest in respect of a cash purchase of the Property from Tricon. The offer was initially in the form of a non-binding letter of interest dated July 9, 2019.

¹³ Tricon is a subsidiary of the Tricon Capital Group Inc. a residential real estate company primarily focused on rental housing in North America, with approximately \$7.2 billion (C\$9.7 billion) of assets under management. Tricon invests in a portfolio of single-family rental homes, multi-family rental apartments and for-sale housing assets, and manages third-party capital in connection with its investments. More information about Tricon is available at: www.triconcapital.com.

On July 19, 2019, Tricon submitted a refined offer in the form of a marked-up APS (the “**Tricon Offer**”).

88. The Information Officer understands the Tricon Offer was provided to both Representative Counsel and to BMO. Key terms and components of the Tricon Offer include the following:

Tricon Offer	
Purchaser	<ul style="list-style-type: none"> Tricon Lifestyle Rentals Investment LP
Purchase Price	<ul style="list-style-type: none"> \$72.0 million; Payment of the Purchase Price: <ol style="list-style-type: none"> \$2.0 million deposit on the third business day following execution of the APS (“First Deposit”); \$3.0 million deposit on the third business day following the Due Diligence Date (“Second Deposit”); and Balance of the of the Purchase Price on the Closing Date (“Final Payment”). The First Deposit and Second Deposit shall be returned to the Purchaser if the transaction is not completed for any reason except as a result of a default of the Purchaser under the APS; The Final Payment is subject to customary real estate transaction closing adjustments.
Due Diligence Conditions	<ul style="list-style-type: none"> The Purchaser has requested a number of additional diligence materials (the “Deliveries”) from the Vendor; Following the receipt of all of the Deliveries, the Purchaser shall have 45 days to review the Deliveries and perform any additional due diligence that may be required; The APS includes the following due diligence condition for the benefit of the Purchaser: <p><i>“by the Due Diligence Date (i.e. 45 days), the Purchaser shall have examined and been satisfied, in the Purchaser’s sole, absolute and unfettered discretion, <u>which may be exercised arbitrarily for any reason or for no reason at all, with the results of the its due diligence enquiries, tests and investigations in respect of the Purchase Assets, including the Purchaser’s review of the Deliveries</u>”; [emphasis added]</i></p>
Closing Date	<ul style="list-style-type: none"> 45 days after the Due Diligence Date. The Due Diligence Date (45 days) and the Closing Date (45 days) provide the Purchaser with 90 days to close the transaction following receipt of all of the Deliveries; Purchaser to be granted exclusivity.

89. Based on its review of the Tricon Offer, the Information Officer notes the following:
- (a) the Tricon Offer of \$72.0 million is materially higher than the \$55.9 million offer Tricon submitted during Phase 1 of the 2017 Sale Process;
 - (b) compared to the Lanterra Transaction, the Tricon Offer provides for slightly lower consideration, however would provide a better return to Investors, assuming a similar distribution waterfall as the Proposed Settlement, because greater cash distributions would take place on closing, or shortly thereafter;
 - (c) in its current form the Tricon Offer remains subject to the due diligence condition described above, as well as approval from Tricon's Board of Directors and Investment Committee;
 - (d) if the due diligence condition is not waived by Tricon, Tricon could walk from the proposed transaction and receive a full refund of the First Deposit and Second Deposit, without penalty;
 - (e) the Tricon Offer was not submitted in accordance with the Sale Process guidelines and bid deadlines; and
 - (f) if the Company was to pursue the Tricon Offer, the exclusivity requirement would require the Company to terminate the Lanterra Transaction.
90. Based on discussions with Tricon, the Information Officer understands:
- (a) Tricon has performed diligence on the Property, including prior to and during the 2017 Sale Process, and has recently updated its diligence by working with one of its trusted construction partners;

- (b) Tricon did not participate in the 2018 Sale Process primarily because it believed its proposal would not be sufficient to meet the pricing expectations set by BMO at that time¹⁴;
- (c) by not participating in the 2018 Sale Process, Tricon did not have access to certain of the additional materials made available to Interested Parties in the electronic data room during such process;
- (d) Tricon appears to be familiar with each of the Construction Challenges and the Construction Challenges have been considered in the Tricon Offer however Tricon noted that it would need to engage third party experts and incur additional costs during diligence; and
- (e) Tricon explained that the increase in consideration offered compared to its offer in the 2017 Sale Process is reflective of a change in market dynamics, including increased market rents and a reduction in their cost of capital.

91. Based on discussions with BMO in connection with the Tricon Offer, the Information Officer understands:

- (a) notwithstanding BMO's efforts to solicit its participation, Tricon declined to participate in the 2018 Sale Process. However, if the Tricon Offer had been submitted in accordance with the 2018 Sale Process guidelines, it would have been explored and advanced through the process;
- (b) BMO held discussions with Tricon to better understand the Tricon Offer. Following these discussions, BMO concluded the Tricon Offer was not executable in its current form as Tricon would not waive its conditions; and

¹⁴ BMO has indicated to the Information Officer that no prior guidance was given.

- (c) BMO acknowledged that Tricon performed extensive due diligence in the 2017 Sale Process, however indicated that, in its view Tricon did not provide a satisfactory explanation as to why their purchase price increased substantially from their original offer during Phase 1 of the 2017 Sale Process.

Third Party Appraisals

- 92. In connection with the Sale Process, the Company engaged for two real estate appraisals:
 - (a) Cushman & Wakefield ULC prepared an appraisal dated February 27, 2018 (the “**Cushman Appraisal**”). The Cushman Appraisal values the Property at \$81.8 million (approximately \$235 per buildable square foot); and
 - (b) Colliers International prepared an appraisal dated July 16, 2018 (the “**Colliers Appraisal**”). The Colliers Appraisal values the Property at \$82.1 million (also approximately \$235 per buildable square foot).
- 93. As noted in the Cushman Appraisal, one of the factors considered in its appraisal included comparable land sales in the subject market area, including five comparable sites that transacted during the period December 2017 to January 2018, ranging in value from \$49.5 million to \$300 million, or approximately \$182 to \$284 per buildable square foot (average of \$251 per buildable square foot).
- 94. The Information Officer notes that these are comparable data points, however site-specific details would cause variations in valuation and ultimately the best judge of value would be a comprehensive market test through a robust marketing and sale process.

Re-opening the Sale Process / Receivership

95. The Information Officer has considered whether reopening the sale process might reasonably be expected to generate a result that would provide greater recovery for the Investors compared to the Lanterra Offer and the Proposed Settlement.
96. As previously noted, the Information Officer is of the view that BMO's Sale Process was a thorough canvassing of the market and fairly demonstrated the market value of the Property.
97. Furthermore, the accrual of interest and other potential costs in respect of the Meridian Mortgage and the SMI will continue to deteriorate potential recoveries for the Non-Registered Investors. There is no certainty that Meridian will continue to provide a standstill and not proceed to take further actions¹⁵.
98. There is no certainty whether a new marketing and sale process may generate a purchase price in excess of the Lanterra Transaction. The Information Officer notes however that re-opening the sale process would take additional time and costs would continue to accrue during this period.
99. The Information Officer reviewed the "Receivership Scenarios" presented in the GT Report which is attached as Appendix V to the Second Report of Counsel. The Information Officer is of the view the scenarios are appropriately presented for the purpose of which they were created and has included GT's analysis in its comparison of values below. In addition to the GT Report scenarios, the Information Officer has presented an alternate receivership scenario (the "**Truncated Receivership**").

¹⁵ Should Meridian seek Court appointment of a receiver, the receiver would have a duty to all stakeholders, not just Meridian.

100. The Truncated Receivership is based on an accelerated timeline of four months, compared to nine to 15 months in the GT Report, to reflect the possibility of an expedited receivership process by relying on the Sale Process already performed by BMO. Accordingly, the costs and disbursements associated with the receivership proceedings have been adjusted downward.
101. The table below includes a summary of recoveries to Investors in the Truncated Receivership scenario in comparison to the Proposed Settlement and two scenarios as presented in the GT Report. A detailed summary of the Truncated Receivership scenario is included as **Appendix “E”**. Based on the assumptions included, the Information Officer notes the following:
- (a) if Hi-Rise is unsuccessful in asserting its claim to the Hi-Rise Potential Priority Costs in the amount of \$4.7 million¹⁶, the Property would need to be sold for approximately \$71.2 million for Investors to receive the same (or similar) nominal recovery as they would in the Proposed Settlement. Accounting for the time value of delayed payments included in the Proposed Settlement at a 10% discount rate (i.e. the VTB and the Debenture), on a present value basis, the Property would need to be sold for approximately \$62.0 million¹⁷;
 - (b) if Hi-Rise is successful in asserting its claim to the Hi-Rise Potential Priority Costs, the Property would need to be sold for approximately \$76.1 million for Non-Registered Investors to receive the same (or similar) nominal recovery as they

¹⁶ The Hi-Rise Potential Priority Costs were estimated to be \$5.1 million less Representative Counsel’s legal fee priority charge of \$0.4 million. The \$5.1 million of Hi-Rise Potential Priority Costs was used to be consistent with the GT Report. However, the Information Officer understands that Hi-Rise will assert its full Potential Priority Costs.

¹⁷ Actual calculation of present value equivalents would be depended upon timing of closing of any sale transaction.

would in the Proposed Settlement. Accounting for the time value of delayed payments included in the Proposed Settlement at a 10% discount rate (i.e. the VTB and the Debenture), on a present value basis, the Property would need to be sold for approximately \$66.9 million;

- (c) proceeds realized through a receivership proceeding are likely to be distributed to Investors faster compared to the Proposed Settlement. The balances noted herein are in nominal dollars and the time value of money has not been considered; and
- (d) the Information Officer understands from Hi-Rise that in a receivership scenario, Hi-Rise and/or the Company may seek to recover all the Potential Priority Costs which, if successful, would have a material impact on distributions to Investors and further increase the selling price required to achieve the same result as the Proposed Settlement.

Comparison of Values

102. For information purposes only, the Information Officer has prepared the following table to summarize the potential values that may be available to the Investors under various alternatives.

Summary of Investor Recoveries (nominal dollars)				('000s)	
	Proposed Settlement ¹	Truncated Receivership Low ²	Truncated Receivership High ²	GT Receivership Low ³	GT Receivership High ³
Estimated Sale Price	73,150	71,170	76,071	44,000	72,000
Without Hi-Rise Potential Priority Costs					
<i>Registered Investors</i>					
Investor Recovery (\$)	22,316	22,605	22,605	22,171	22,171
Investor Recovery (%)	100%	100%	100%	100%	100%
<i>Non-Registered Investors</i>					
Investor Recovery (\$)	27,990	27,990	32,694	424	28,194
Investor Recovery (%)	60%	59%	69%	1%	61%
Total Recovery	50,306	50,595	55,300	22,595	50,366
With Hi-Rise Potential Priority Costs					
<i>Registered Investors</i>					
Investor Recovery (\$)	n/a	22,605	22,605	17,541	22,171
Investor Recovery (%)	n/a	100%	100%	79%	100%
<i>Non-Registered Investors</i>					
Investor Recovery (\$)	n/a	23,286	27,990	-	23,140
Investor Recovery (%)	n/a	49%	59%	0%	50%
Total Recovery	n/a	45,891	50,595	17,541	45,311

Summary of Notes & Key Assumptions

1. Hi-Rise is only asserting certain Potential Priority Costs under the Proposed Settlement.
2. See full summary of Truncated Receivership scenario in **Appendix "E"**.
3. Per GT Report.

103. Based on its review of the Proposed Settlement and the alternatives presented above, the Information Officer notes the following:

- (a) as detailed in this Report, the Proposed Settlement is premised on the Lanterra Transaction. While the Lanterra Transaction provides a high level of certainty in terms of purchase price, significant parts of the distributions associated with the Proposed Settlement are deferred into the future and may be subject to the ultimate success of the Lanterra Project (i.e. the Debenture);
- (b) compared to the Proposed Settlement, the alternatives each have a materially higher level of conditionality and uncertainty, all of which could significantly impact the

- quantum and timing of proceeds and there is no guarantee that an all cash offer can be obtained for the values indicated in the Truncated Receivership scenario; and
- (c) in developing the Truncated Receivership scenario, to maintain consistency with the GT Report, the Information Officer only sensitized for the Hi-Rise Potential Priority Costs. If Hi-Rise is successful in asserting the full Potential Priority Costs in priority to Investors, distributions to Investors could be materially altered. Further, if the Potential Priority Costs are litigated between Hi-Rise and the Investors, additional time and cost may be incurred impacting ultimate recovery.

CONCLUSIONS & OTHER FINDINGS

Sale Process

104. It is clear that Schedule I and institutional construction lenders are hesitant to provide construction financing in situations where syndicated mortgages are registered on title. To realize maximum value for the Property (as a development site), a sale transaction and related discharge of the SMI is required. Absent additional financing, the Property would remain an undeveloped low-rise rental property.
105. Based on the Information reviewed to date and results of the Sale Process, the Information Officer does not believe that there is any reasonable prospect of a sale process generating sufficient funds to repay both the Meridian Mortgage and the SMI.
106. After the 2017 Sale Process failed to generate any transaction in respect of the Property, the Company and BMO took positive steps and incurred considerable cost to address certain Construction Challenges.
107. The Information Officer is of the view that the Sale Process conducted was a thorough market test, that sufficient effort was made to obtain the best price in respect of the Property and that the process was executed with proper efficacy and integrity.

108. While no specific asking price was provided for the Property, the Information Officer found that certain Interested Parties were guided by recent comparable transactions, including Widmer, and considering the Construction Challenges, these market trends discouraged certain Interested Parties from participating in the Sale Process.
109. As discussed herein, no Interested Party was willing to submit an all cash offer by the applicable Sale Process bid deadlines. The Sale Process was designed and executed to maximize the ultimate proceeds from the transaction, not necessarily cash consideration on closing. In that regard, the Information Officer is of the view that the Lanterra Transaction provides for the best price in respect of the Property.

Consultations Held

110. The Information Officer held a number of meetings and requested significant information from the parties mentioned in this Report. During its review, the Information Officer found the conduct of all parties to be cooperative and supportive, was granted unfettered access to the individuals and groups it requested meetings with and was provided with requested information on a timely basis.
111. Nothing in its review of the Information provided to it and in discussions with the parties noted herein has led the Information Officer to conclude that the Lanterra Transaction would be considered to be an improvident transaction.
112. Each of the Interested Parties agreed that the Property's value is impacted by the Construction Challenges and other constructability issues which create significant uncertainty around the cost and time it may take to complete development on the site. Considering these issues, together with recent trends in the market, the Interested Parties confirmed that the best way to maximize purchase price would be through a transaction

including a joint venture and/or vendor takeback structure. The Information Officer found no indication that management of the Company influenced the creation of the joint venture structure proposed in the Lanterra Transaction.

Lanterra Transaction & Proposed Settlement

113. Based on the Information reviewed by the Information Officer, at the completion of the project, the Company's undiscounted potential proceeds, net of the \$15.0 million Debenture, are projected to equal approximately \$22.8 million. In the Information Officer's view, it is appropriate for the members of the Official Committee, and the Investors, to express concern over the Company's continued interest (i.e. its 25% share of the JV) in the Property.
114. If Investors vote to approve the Proposed Settlement, Registered Investors are projected to receive \$22.3 million (100% return) and Non-Registered Investors are projected to receive \$28.0 million (60% return), however as described previously, certain of these proceeds will only be distributed years in the future.

Alternatives

115. The Information Officer is of the view the Sale Process was a robust and thorough market test and the results thereof should be given more weight than: (a) alternate transactions that could be pursued that include a higher level of conditionality and would require time to execute; and (b) other indications of value, including the third party appraisals, which are subject to a number of conditions and restrictions.
116. The Information Officer noted that several key items in the Information Statement (and therefore the Proposed Settlement) may need to be refreshed and/or further developed. For example, the ultimate structure of the VTB and the structure and amount of the Debenture

are not accurately reflected in the Information Statement. The Information Officer recommends that, prior to any vote, an updated Information Statement be provided to the Investors.

117. If the Investors do wish to pursue an alternate transaction, based on communications reviewed by the Information Officer, it is likely that Meridian would commence enforcement proceedings resulting in a receivership. Within receivership proceedings, the Information Officer estimates that to generate a nominal return to Investors that would be the same or similar to the Proposed Transaction, the Property would need to be sold for an amount in excess of \$71.2 million, or \$76.1 million if Hi-Rise successfully asserts the \$4.7 million Hi-Rise Potential Priority Costs or approximately \$62.0 million to \$66.9 million when considering the estimated present value of distributions contained in the Proposed Settlement.
118. As requested by this Court, the Information Officer reviewed and explored the Tricon Offer. Although Tricon appears to be very familiar with the Property and its cash offer of \$72.0 million would provide a better and immediate return to Investors, the Tricon offer remains subject to an open-ended diligence condition that requires a minimum of 45 days to satisfy and has not yet been approved by its investment committee or board of directors. The Information Officer also notes that Tricon had an opportunity to participate in the 2018 Sale Process and declined to do so. The Information Officer supports BMO's assertion that maintaining the integrity of the marketing and sale process, including its timelines and bid deadlines, is of high importance, and especially so when presented with a conditional offer.

All of which is respectfully submitted this 7th day of October, 2019.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Information Officer**

Per: _____



Name: Stephen Ferguson
Title: Senior Vice-President

APPENDIX "A"

Information Officer Appointment Order (September 17, 2019)

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

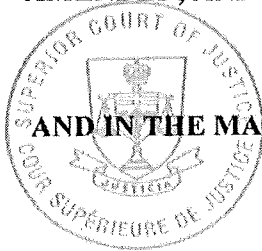
THE HONOURABLE MR.

TUESDAY, THE 17TH

JUSTICE HAINEY

DAY OF SEPTEMBER, 2019

**IN THE MATTER OF SECTION 60 OF THE TRUSTEE ACT, R.S.O. 1990, C. T.23, AS
AMENDED, AND RULE 10 OF THE ONTARIO RULES OF CIVIL PROCEDURE,
R.R.O. 1990, REG. 194, AS AMENDED**



**AND IN THE MATTER OF HI-RISE CAPITAL LTD. AND IN THE MATTER OF
ADELAIDE STREET LOFTS INC.**

ORDER

THIS MOTION, made by Miller Thomson LLP, in its capacity as Court-appointed Representative Counsel in this proceeding (in such capacity, "**Representative Counsel**"), appointed pursuant to the Order of the Honourable Mr. Justice Hainey dated March 21, 2019 (the "**Appointment Order**") to represent the interests of all individuals and/or entities ("**Investors**", which term does not include persons who have opted out of such representation in accordance with the Appointment Order) that have invested funds in a syndicated mortgage investment administered by Hi-Rise Capital Ltd. ("**Hi-Rise**"), in respect of the proposed development known as the "Adelaide Street Lofts" (the "**Project**") at the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**") and owned by Adelaide Street Lofts Inc. (the "**Company**"), was heard this day at the Court House, 330 University Avenue, Toronto, Ontario,

ON HEARING the submissions of Representative Counsel, Hi-Rise, the Company, the Financial Services Regulatory Authority of Ontario ("**FSRA**"), Meridian Credit Union Limited

(“Meridian”) and such other counsel as appeared, and on being advised of the consent of the parties,

APPOINTMENT

1. **THIS COURT ORDERS** that Alvarez & Marsal Canada Inc. is hereby appointed as a Court officer to act as an information officer in respect of Hi-Rise and the Property (in such capacity, the “**Information Officer**”).

2. **THIS COURT ORDERS** that the Information Officer shall not take possession of or exercise control over, and shall not be deemed to have taken possession of or exercise control over the business or assets of Hi-Rise or the Company, including, without limitation, the Property.

NO EFFECT ON RIGHTS AND REMEDIES OF MERIDIAN

3. **THIS COURT ORDERS** that nothing in this Order in any way affects Meridian’s ability to exercise any or all of its rights or remedies under any one or more of any credit agreement, security agreement or other document between Meridian and the Company or any other party named in such documents, including the right to the appointment of a receiver under the *Bankruptcy and Insolvency Act*, the *Courts of Justice Act* or otherwise, and the right to apply to the Court for any other remedies.

INFORMATION OFFICER’S POWERS

4. **THIS COURT ORDERS** that the Information Officer is hereby empowered and authorized to do any of the following where the Information Officer considers it necessary or desirable:

- (a) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis to assist with the exercise of the Information Officer's powers and duties conferred by this Order;
- (b) to review and report to the Court and to all stakeholders, including but not limited to the Representative Counsel, Hi-Rise, the Company, FSRA and Meridian, in

respect of all matters relating to the Property, Hi-Rise's mortgage over the Property, and the Company's proposed sale of the Property, including, but not limited to, the marketing and sales process undertaken in respect of the Property, all aspects of any and all proposed transactions in respect of the Property (and in this regard, the Information Officer may engage in discussions with Tricon Lifestyle Rentals Investment LP to ascertain its interest in the Property), and the financial implications of such proposed transactions (the "Mandate");

- (c) to meet with and discuss with such affected Persons (as defined below) as the Information Officer deems appropriate on all matters relating to the Mandate, subject to such confidentiality terms as the Information Officer deems advisable; and
- (d) to take any steps reasonably incidental to the exercise of these powers or the fulfilment of the Mandate.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE INFORMATION OFFICER

5. **THIS COURT ORDERS** that (i) the Company and Hi-Rise, (ii) all of their current and former directors, officers, employees, agents, advisors, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms or corporations (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Information Officer of the existence of any information the Information Officer considers that it requires in order to fulfil the Mandate that is within such Person's possession or control, shall grant immediate and continued access to such information to the Information Officer, and shall deliver all such information to the Information Officer upon the Information Officer's request, provided that nothing contained in this paragraph 5 shall oblige any Person to disclose information that is subject to any privilege (including but not limited to solicitor-client privilege, litigation privilege, settlement privilege, or any common law or statutory privilege prohibiting such disclosure).

6. **THIS COURT ORDERS** that all Persons shall forthwith advise the Information Officer of the existence of any books, documents, securities, contracts, orders, corporate and accounting

records, and any other papers, records and information of any kind that the Information Officer considers that it requires in order to fulfil the Mandate, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**"), including but not limited to Records in respect of any and all proposed transactions in respect of the Property, in that Person's possession or control, and shall provide to the Information Officer or permit the Information Officer to make, retain and take away copies thereof and grant to the Information Officer unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, that are subject to any privilege (including but not limited to solicitor-client privilege, litigation privilege, settlement privilege, or any common law or statutory privilege prohibiting such disclosure).

7. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Information Officer for the purpose of allowing the Information Officer to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Information Officer in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Information Officer. Further, for the purposes of this paragraph, all Persons shall provide the Information Officer with all such assistance in gaining immediate access to the information in the Records as the Information Officer may in its discretion require including providing the Information Officer with instructions on the use of any computer or other system and providing the Information Officer with any and all access codes, account names and account numbers that may be required to gain access to the information.

DUTY TO FACILITATE INFORMATION DISCLOSURE

8. **THIS COURT ORDERS** that upon request by the Information Officer, the Company and/or Hi-Rise shall immediately provide consent or authorization for any Person to release and disclose Records to the Information Officer, which Records may be requested by the Information

Officer in connection with the Mandate, provided that nothing contained herein shall oblige any Person to disclose information that are subject to any privilege (including but not limited to solicitor-client privilege, litigation privilege, settlement privilege, or any common law or statutory privilege prohibiting such disclosure).

INFORMATION OFFICER'S REPORT

9. **THIS COURT ORDERS** that on or before October 7, 2019, the Information Officer shall file a report with the Court in respect of the Mandate, including in particular whether sufficient effort has been made to obtain the best price in respect of the Company's proposed sale of the Property, that the proposed sale is not improvident, and in respect of the efficacy and integrity of the process by which offers had been obtained, ~~and whether there has been unfairness in the working out of the process.~~

NO PROCEEDINGS AGAINST THE INFORMATION OFFICER

10. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Information Officer except with the written consent of the Information Officer or with leave of this Court.

LIMITATION ON THE INFORMATION OFFICER'S LIABILITY

11. **THIS COURT ORDERS** that the Information Officer shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part.

RESETTING OF THE DATE OF THE INVESTORS' MEETING AND COMMUNICATION RESTRICTION

12. **THIS COURT ORDERS** that:

- (a) The meeting of Investors called by Hi-Rise for September 25, 2019 is adjourned to October 23, 2019 (the "**Adjournment**"), which date may be altered by further Order of this Court;
- (b) Hi-Rise and the Company, all of their directors, officers, employees, agents, advisors, accountants, legal counsel and shareholders, and all other

persons acting on its instructions or behalf, are hereby restricted from communicating with Investors, either directly or indirectly, without the consent of the Representative Counsel or Order of the Court, which restriction shall remain in effect until September 30, 2019 or such later date as may be imposed by further Order of the Court (the "**Restriction Expiry Date**"). Provided, however, that communication may be made to the Investors about the Adjournment, and such communication shall be subject to review and approval by Representative Counsel prior to being delivered to Investors, in accordance with paragraph 12(c), below;

- (c) All communications delivered by Hi-Rise or the Company to Investors, whether before the Restriction Expiry Date with the consent of Representative Counsel, or after the Restriction Expiry Date, shall be subject to review and approval of Representative Counsel prior to being delivered to Investors. Representative Counsel shall conduct its review and advise Hi-Rise or the Company of its position within 24 hours upon receipt of same, provided, however, that Representative Counsel shall only be entitled to object to the content of a proposed communication that is factually incorrect, and further, Representative Counsel acknowledges that Hi-Rise shall be permitted to express its opinion regarding the sales process and any proposed transaction and to recommend to Investors that they vote in favour or against any transaction or settlement;
- (d) In the event Representative Counsel asserts that part of any communication is factually incorrect, Hi-Rise or the Company shall not deliver said communication to Investors and, Hi-Rise, the Company or Representative Counsel shall be permitted to seek directions from the Court regarding the communication;
- (e) Hi-Rise and the Company are at liberty to communicate with syndicated mortgage investors in the OptArt Loft project at 54-60 Shepherd Road, Oakville (the "**Oakville Investors**"). Notwithstanding paragraph 12(c) of

this Order, communications to the Oakville Investors may refer to the Project and the Property even though some of the Oakville Investors are also Investors, provided that the Representative Counsel is provided with 24 hours to review the portion of any communication to Oakville Investors that references the Project or the Property. The Representative Counsel does not have the right to approve such communications, but is at liberty to seek directions from the Court if the Representative Counsel has any concerns about the proposed communication; and

- (f) Hi-Rise and the Company are restricted from negotiating any settlement or compromise with Investors on a private basis during the course of these proceedings.

PAYMENT OF FEES TO MERIDIAN

13. **THIS COURT ORDERS** that the Company shall pay an extension fee to Meridian in the amount of \$85,220.00.

ENCUMBRANCES IN RESPECT OF THE PROPERTY

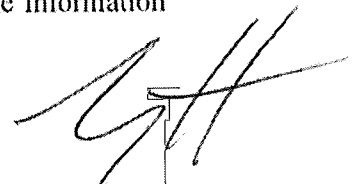
14. **THIS COURT ORDERS** that subject to this Order, the Property shall not be further encumbered by any Person other than Meridian, pending further Order of this Court.

PIPEDA

15. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* and any other applicable privacy legislation, the Information Officer may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable to fulfill its mandate pursuant to this Order.

INFORMATION OFFICER'S ACCOUNTS

16. **THIS COURT ORDERS** that the Information Officer and counsel to the Information Officer shall be paid by the Company their reasonable fees and disbursements, both before and after the making of this Order on a ~~bi-weekly~~ *monthly* basis forthwith after delivery of the Information

A handwritten signature in black ink, consisting of a stylized 'G' followed by a large 'H' and a flourish.

Officer's accounts to the Company. Any disputes regarding the Information Officer's accounts shall be determined by the Court. For greater certainty, Representative Counsel shall not be liable for the fees and disbursements of the Information Officer or its counsel.

17. **THIS COURT ORDERS** that the Information Officer and counsel to the Information Officer shall be entitled to and are hereby granted a charge (the "**Information Officer Charge**") on the Property, as security for their fees and disbursements, both before and after the making of this Order, up to the maximum amount of \$100,000 or as may otherwise be ordered by this Court. The Information Officer Charge shall form a charge on the Property, subordinate in priority only to: (i) the Rep Counsel Charge (as defined in the Appointment Order and as may be increased by further Orders of this Court); and (ii) any encumbrances ranking in priority to the Rep Counsel Charge (including, without limitation, the mortgage in favour of Meridian), and, for greater certainty, the Information Officer Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, including, without limitation, the Hi-Rise Mortgage (as defined in the Appointment Order), and shall not rank in priority to any security interests, trusts, liens, charges, statutory or otherwise, in favour of Meridian.

18. **THIS COURT ORDERS** that in the event that the Information Officer and its counsel rely on the Information Officer Charge to seek payment of their fees and disbursements, the Information Officer and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Information Officer and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

SERVICE AND NOTICE

19. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the "**Rules**"), this Order shall constitute an order for substituted service pursuant to

Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission.

20. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Information Officer is at liberty to serve or distribute this Order, any materials and other orders in this proceeding, and any notices or other correspondence in this proceeding, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Company's creditors or other interested parties at their respective addresses as last shown on the records of the Company and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

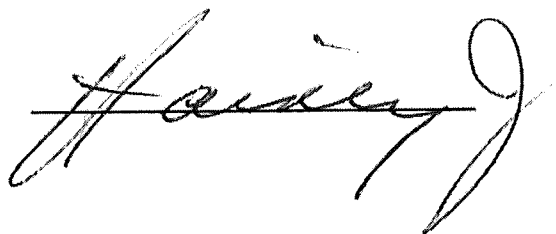
21. **THIS COURT ORDERS** that the Information Officer may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

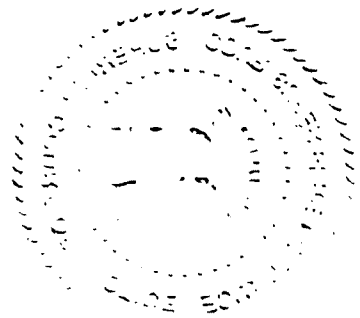
22. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Information Officer and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Information Officer, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Information Officer and its agents in carrying out the terms of this Order.

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ON / BOOK NO:
LE / DANS LE REGISTRE NO:

SEP 17 2019

PER / PAR:





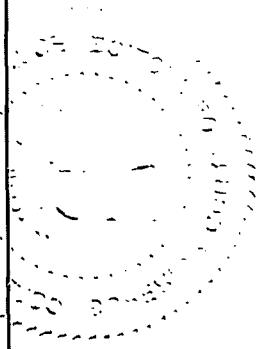
HI-RISE CAPITAL LTD.

Applicant

and

SUPERINTENDENT OF
FINANCIAL SERVICES et. al.
Respondents

Court File No.: CV-19-616261-00CL



ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

MILLER THOMSON LLP

Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

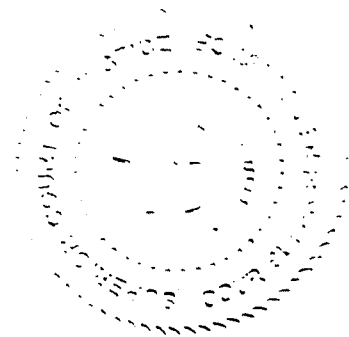
Greg Azeff LSO#: 45324C

gazeff@millerthomson.com
Tel: 416.595.2660/Fax: 416.595.8695

Stephanie De Caria LSO#: 68055L

sdecaria@millerthomson.com
Tel: 416.595.2652/Fax: 416.595.8695

Court-appointed Representative Counsel



APPENDIX “B”

Lanterra Project Proforma

263 Adelaide

Project Pro Forma - DISCUSSION ONLY
May 8, 2019

Scenario - Quadrangle Drawings (May 9, 2017)**Project Salient Information**

Residential Condo	
# of Floors	47
# of Buildings	1
Total FSI	22.65
Total GFA	349,490
Total Units	
Total No. of Condo Units	397

Key Schedule Assumptions	Start	End	Duration
Project Start	1-Mar-19		
Pre-Development	1-Mar-19	31-Aug-19	5 Months
Sales	31-Aug-19	31-Aug-20	12 Months
Construction	31-Aug-20	31-Aug-24	48 Months
Construction At Grade	28-Feb-22		
Occupancy	31-Dec-23	31-Aug-24	8 Months
Registration	31-May-24		
Construction Loan Repayment	30-Jun-24	31-Aug-24	1 Months
Total			65 Months

Key Revenue Assumptions

Condo Sales Revenue (\$psf)	\$1,275
Townhome Sales Revenue (\$psf)	
Parking Revenue (\$/Stall)	\$85,000
Locker (\$/Locker)	\$7,500

Key Project Cost Assumptions

Total Construction Hard Cost (\$ psf GFA)	\$317
Above Grade Construction Hard Cost (\$/sf)	\$290
Below Grade Construction Hard Cost (\$/sf)	\$120
Consultants & Engineers (3.0%)	\$5,231,400

Fees & Contingencies

Total Fees - Lanterra	\$14,716,300
Total Fees - Storey	\$912,500
Total Contingencies	\$8,987,500

Project Returns

Net Revenue	\$364,988,900
Total Costs	\$298,981,450
Total Profit	\$66,007,450

Profit / Net Revenue	18.1%
-----------------------------	--------------

Source of Funds

Cash Equity	48,287,500	16%
Deferred Equity/Land Appraisal Surplus	-	0%
Deposits	50,722,900	17%
Deferred Costs	9,054,900	3%
Loan	190,916,200	64%
Total Costs	298,981,500	100%

Sensitivity Analysis	Profit (\$)	Profit (%)	Change
At \$1,250 PSF Revenues	\$59,797,850	16.7%	(\$6,209,600)
At \$1,300 PSF Revenues	\$72,217,050	19.4%	\$6,209,600

Project Pro Forma - DISCUSSION ONLY

Site Statistics				Project Statistics				Unit Statistics				Fees and Contingencies				
Area of Site				15,420	Average Residential Unit Size				748 sq. ft. <th colspan="4">Lanterna Partner</th>	Lanterna Partner						
Density				21.65	Total Residential Units				397	Construction Management				\$4,251,500		
Total GFA				349,490	1 Bedroom				52%	Development Fee <td>\$6,387,500</td> <td>\$912,500</td>				\$6,387,500	\$912,500	
GFA - Condos				349,490	2 Bedroom				37%	Admin Mgmt Fee <td>\$0</td> <td></td>				\$0		
GFA - Townhouses				34	3+ Bedroom				11%	Guarantee Fee <td>\$4,077,100</td> <td></td>				\$4,077,100		
Building Efficiency				86%	Townhouse				0%					\$14,716,300	\$912,500	
Total Sellable GFA				299,487	Residential Parking - Condo				28%	Contingencies <td></td> <td></td>						
Retail Sellable GFA				2,638	Residential Parking - Townhouse				0%	Hard Cost & Escalation Contingency <td>\$7,289,100</td> <td></td>				\$7,289,100		
Office Sellable GFA				-	Commercial Parking				3%	Soft Cost Contingency <td>\$1,698,400</td> <td></td>				\$1,698,400		
Residential Sellable GFA				296,789	Lockers				76%	Total				\$8,887,500		
				Acquisition Of Land												
Cumulative Cost Of Land				\$12,150,000	Amount Of Land Paid To Date				\$17,500,000							
Cost Of Land/Area Of Site				\$4,741	Amount Outstanding				\$55,650,000							
Cost Of Land/GFA				\$209.30	VTB Mortgage				\$18,287,500	Loan to Value ratio - 25%						
Cost Of Land/Sellable GFA				\$244	Land Mortgage Interest				5.45%							
				Revenue On Closing												
Revenue Item				Factors For Calculation				Revenue				Comments				
								From Sale Of Inventory								
Residential Units				296,785	\$1,275				\$378,406,000	Average \$/Price : \$953,200 per unit						
Residential Units - Condo				112	\$85,000				\$9,520,000							
Parking				300	\$7,500				\$2,250,000							
Lockers				2,638	\$1,555				\$4,100,000	Rate per sq. ft. 70.00 at cap rate of 4.5%						
Retail Revenues																
Land Sale Revenue									\$0							
Land Appraisal Surplus																
Total Revenue From Sales									\$394,372,100	\$1,376.87/sellable sq. ft.						
								Adjustments To Revenue								
Recoveries Upon Closing																
Tuition Recovery				397	\$1,595				\$633,200							
Development Charge Recovery (1 Bedroom)				205	\$12,000				\$2,460,000							
Development Charge Recovery (2 Bedroom)				147	\$14,000				\$2,058,000							
Development Charge Recovery (3 Bedroom)				45	\$16,000				\$720,000							
Water Charge Recovery				397	\$1,000				\$397,000							
Other Recoveries				397	\$1,365				\$542,000	Tuition Admin Fee (\$350/unit), Form 4 Fee (\$350/unit), Status Certificate (\$100/unit), Discharge Fee (\$150/unit)						
Total Recoveries									\$6,810,200							
Deductions to Revenue																
HST on Residential Sales				\$390,176,000	9.28%				(\$36,193,400)	HST On Average unit price						
HST on Office/Commercial Sales				\$4,156,100	0.00%				\$0	Commercial Revenue assumes Net of HST						
Total Deductions									(\$36,193,400)							
Net Revenue Upon Closing									\$344,888,900	\$1,374.71/sellable sq. ft.						
								Project Budget								
Budget Item				Factors For Calculation				Cost				Comments				
								Land Costs								
Land Purchase Price									\$73,150,000	\$209.30/Buildable sq. ft. (349,490 sq. ft.)						
Land Appraisal Surplus									\$0							
Land Transfer Tax				\$73,150,000	0.0%				\$0	Estimated \$2.7M to be paid by Lanterna ONLY per proposed JV Agreement						
Ready Taxes				\$30,723,000	5.0				\$1,536,150							
Land Mortgage Interest				1.50	5.45%				\$2,511,600							
VTB Interest				\$0	3.00				0.00%	\$0	Cost to be paid by Lanterna ONLY per proposed JV Agreement					
Land Legal									\$200,000	Assumed allowance of \$200K						
Internal Planning									\$350,000	Assumed allowance of \$350K						
Site Plan Approval Fees									\$400,000	Assumed allowance of \$400K						
Municipal Legal & Planning Consultants									\$400,000	Assumed allowance of \$400K						
Total Land Costs									\$78,122,340	\$226.85/sellable sq. ft.						
								Construction (Hard)								
Construction				NSA	219,487											
Construction				GFA	349,490											
Above Grade: 1 Bldgs: 47 Floors									\$101,352,200							
Above Grade: Premium for High Quality									\$0							
Below Grade									\$9,332,700							
Above Grade Parking									\$0	10% Above grade Parking						
Permits				\$110,684,900	1.00%				\$1,106,800							
Lane Closure & Jags				\$110,684,900	0.20%				\$221,400							
Provisions for Heritage Requirements									\$1,800,000							
Rental Replacement Unit Provision									\$1,200,000							
Construction Security									\$0	Assumed in construction budget						
Construction Insurance									\$0							
Office Tenant Inducements									\$35							
Retail Tenant Inducements				2,688	\$13				\$67,600							
Surveying Costs				397	\$300				\$119,100	\$300/unit plus \$100,000 allowance for common area						
Technical Audit				397	\$1,200				\$476,400	\$1,200/unit						
Warranty				397	\$1,200				\$476,400							
Consultants				118,251,000	4.50%				\$5,311,400							
Construction Management Fee				\$121,483,800	3.50%				\$4,251,900							
Escalation Contingency				\$121,483,800	2.00%				\$2,429,700							
Contingency				\$121,483,800	1.00%				\$1,214,800							
Total Construction (Hard)				Per Suite Hard Cost - \$ 12,240					\$113,014,500	\$344.19/sellable sq. ft.						
								Construction (Soft)								
Tuition Enrollment				397	\$1,595				\$633,200	Per unit (Tuition fees) plus registration and renewal fees						
Cash In Lieu Of Parkland				\$73,150,000	10.00%				\$7,315,000							
Development Charges				205	\$34,504				\$7,073,300	Anticipated DC charges paid at Feb 2022 rates						
Condo - 1 Bedroom				192	\$2,857				\$546,144	Anticipated DC charges paid at Feb 2022 rates						
Condo - 2+ Bedrooms				397	\$2,737				\$1,086,800	Anticipated DC charges as paid at Feb 2022 rates						
Educational Development Charges				2,638	\$6.59				\$17,370	Anticipated DC charges as paid at Feb 2022 rates						
Educational Development Charges - Commercial/SM				251	\$458				\$114,800	Anticipated DC charges paid at Feb 2022 rates						
Non Residential Development Charges/SM									\$7,500,000	Assumed allowance of \$2.5M						
Section 37									\$28,889,100	\$96.48/sellable sq. ft.						
Total Construction (Soft)				Total Hard & Soft Costs - \$ 161,914,600												
								Marketing								
Marketing/Advertising				397	\$1,000				\$397,000	Assumed \$1,000 per unit						
Sales Office									\$800,000	Assumed \$800K for Sales Centre						
Sales Office - Operating Costs									\$300,000	Allowance of \$300K						
Customer Care				\$353,982,600	1.50%				\$5,309,700	\$100K for Diana's team and \$200K for Amber's team for the project						
Primary Broker Commissions				95%	\$353,982,600				\$125,451,300	Range between 4% and 5%						
Third Party Broker Commissions				\$4,196,100	4.0%				\$167,800	Assumed 4%						
Total Marketing									\$70,835,600	\$238.34/sellable sq. ft.						
								Administration								
Legal Fees - General									\$500,000	Assumed \$500K allowance						
Legal Fees - Corporate / Finance / Lender									\$150,000	Assumed \$150K allowance						
Miscellaneous Office Fees									\$200,000	Assumed \$200K allowance						
Legal - Sales / Closing / Leasing				397	\$1,000				\$397,000	\$1,000 per unit plus \$200K for commercial						
Accounting - Receivables				397	\$1,200				\$476,400	Assumed \$1,200 per unit						
Landfill - Development Management Fee				\$44,668,900	1.75%				\$782,300	% of Gross Revenues (less HST)						
Gibney - Development Management Fee				\$44,668,900	0.25%				\$111,672	% of Gross Revenues (less HST)						
Lecterra - Administrative Management Fee				\$20,565,700	0.02%				\$4,113	% of Hard Construction Costs						
Total Administration									\$9,223,300	\$30.87/sellable sq. ft.						
								Finance								
Construction Loan Interest				3.5	6.00%				\$20,045,200	6.00% per year for 3.5 years at Prime plus 125bps						
Bank Commitment & Other Fees				\$190,816,200	0.60%				\$1,145,500	Upfront fees of \$600K also assumed \$100K for bank fees						
Standby Fee/Discharge Fees				4.0	0.25%				\$554,000	Standby fees of 25bps of undrawn loan amount						
Assignment Fee									\$100,000	Assumed \$100K allowance						
Agency Fees				\$50,000	4.0				\$2,000	Assumed \$50K annual						
Bank Discharge Fee				397.0	\$100				\$39,700	Based on \$100 per unit for 70% of units						
Letter of Credit Fees				\$5,000,000	4.0				\$200,000	Assumed 1% of \$5,000,000 for 4 years						
Guarantee Fee									\$4,077,100	Based on 1% of anticipated loan, Tarmen Deposit Bond and Letters of Credit amounts						
Project Manager									\$350,000	Assumed allowance of \$350K						
Deposit Return Commitment Fee									\$35,000	Assumed allowance of \$35K at 5% per Annu						
Tuition Deposit Insurance				\$7,940,000	397				\$3,000	\$180,000 0.75% per year for 4 years with weighted average at 40%						
Excess Deposit Insurance				\$42,782,900					\$2,634	\$888,400 0.75% per year for 3 years with weighted average at 40%						
Soft Cost Contingency				\$54,920,400					\$1,698,400							
Total Finance									\$10,033,110	\$33.60/sellable sq. ft.						
								Offsetting Income and Occupancy Expenses								
Occupancy Expenses									\$10,850							
Occupancy Expenses - General									(\$7,038,140)							
Offsetting Occupancy Income									(\$1,127,348)	\$37.8/sellable sq. ft.						
Occupancy Expenses (Net Of Income)																
				Summary												
Revenues									Amount	Per NSA	Per GFA					
Gross Revenues				NSA	209,457				\$394,372,100	\$1,316.82	\$1,126.42					
Recoveries				GFA	349,490				\$6,810,200	\$19.49	\$22.74					
Deductions									(\$36,193,400)	(\$120.85)	(\$103.56)					
Net Revenue									\$254,988,900	\$1,216.71	\$1,044.35					
Costs																
Land Costs									\$78,122,200	\$260.85	\$323.63					
Construction (Hard)									\$113,014,500	\$384.19	\$380.63					
Construction (Soft)									\$28,889,100	\$96.48	\$82.68					
Marketing									\$70,835,600	\$238.34	\$59.59					
Administration									\$9,223,300	\$30.87	\$28.37					
Finance									\$10,033,110	\$33.60	(\$3.23)					
Offsetting Income									\$1,127,348	(\$3.70)	(\$1.23)					
Total Costs									\$298,381,600	\$999.31	\$995.42					
Profit									\$66,070,450	\$220.40	\$168.87					
				Profit/Revenues				18.1%								
				Source Of Funds												
Cash Equity									\$48,287,500	16%						
Land Appraisal Surplus									\$0	0%						
Deposits				\$390,176,000	65%				\$60,722,600	22%						
Deferred									\$9,054,500	3%						
Loan									\$180,918,200	64%						
Total Costs									\$298,381,600	100%						
								Price Sensitivity (4x1)								
								\$/ft	Profit	Profit %	IRR					
									\$1,275	\$607,400	10.1%	16.8%				
									\$1,300	\$72,217,000	19.4%	20.1%				
									\$1,250	\$59,797,850	16.7%	17.9%				
								For every \$1 change in \$/ft, Profit and Profit% change as follows:								
								Delta	Profit	Profit%						
									\$25	\$8,209,600	1.3%					

APPENDIX "C"

Hi-Rise Notice of Meeting and Information Statement (September 6, 2019)

NOTICE OF MEETING
and
INFORMATION STATEMENT
with respect to the
SETTLEMENT TO INVESTORS IN THE HI-RISE CAPITAL
LTD. MORTGAGE OVER THE PROPERTY MUNICIPALLY
KNOWN AS 263 ADELAIDE STREET WEST
under the
TRUSTEE ACT

September 6, 2019

This Information Statement is being distributed to investors in a Hi-Rise Capital Ltd. mortgage over the property municipally known as 263 Adelaide Street West, Toronto, Ontario, in respect of the Meeting called to consider the proposed early resolution and settlement of the mortgage to be held on September 25, 2019, at the InterContinental Toronto Centre, 225 Front Street West, Toronto, Ontario, M5V 3X3.

These materials require your immediate attention. You should consult your legal, financial, tax and other professional advisors in connection with the contents of these documents. If you have any questions regarding voting procedures or other matters or if you wish to obtain additional copies of these materials, you may contact the investors representative counsel, Miller Thompson LLP, by telephone at (416)-595-2660 (Toronto local) or by email at gazeff@millerthomson.com. Copies of these materials and other materials in the within proceedings are also posted on the following website: <https://www.millerthomson.com/en/hi-rise/>.

LETTER TO INVESTORS

September 6, 2019

Dear Investor:

You are invited to attend a meeting of investors in a syndicated mortgage over the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**"), administered by Hi-Rise Capital Ltd. ("**Hi-Rise**") to be held at the InterContinental Toronto Centre, 225 Front Street West, Toronto, ON, M5V 2X3.

At the meeting, investors will be asked to consider, and if thought advisable, approve a settlement with 263 Adelaide Street Lofts (the "**Borrower**") discharging the syndicated mortgage in place on the Property. If the settlement is not approved, the Borrower may need to seek alternate solutions, including but not limited to, bankruptcy proceedings.

Following the syndicated mortgage market "freeze" involving properties with a syndicated mortgage on title in 2017, the Borrower has concluded, based on communications with potential lenders on separate projects, that it will not be able to secure construction financing for the development project on the Property. As such the Property remains in an underdeveloped state.

After reviewing the possible alternatives for the Property, in 2017, Hi-Rise and the Borrower commenced a sales process for the property to obtain the highest possible value for the Property and to maximize recovery for investors. During the sales process, it became apparent that instead of an outright sale of the Property, a joint venture between a purchaser and the Borrower to co-develop the Property would result in a higher recovery to investors.

To ensure that investors were adequately protected in the sale negotiations, Hi-Rise brought an application before the Ontario Superior Court of Justice (Commercial List) to, among other things, appoint representative counsel for investors, being Miller Thompson LLP.

In order to complete the sale of the property and the settlement of the syndicated mortgage, Hi-Rise is required to obtain the final approval of the Court, which will only be granted if a majority of the investors representing two-thirds of the value of the syndicated mortgage, voting either in person at the meeting or by proxy votes, cast in favour of the proposed transaction.

The Information Statement contains a detailed description of the proposed sale of the Property and the settlement of the syndicated mortgage. Please give this material your careful consideration and, if you require assistance, consult your financial, legal, tax or other professional advisors. If you are unable to attend the Meeting in person and wish your vote to be counted, please complete and deliver the applicable form of proxy which is enclosed in order to ensure your representation at the Meeting. There are several ways for your vote to be cast which are set out in the proxy form included in this Information Statement.

After reviewing the transaction and the settlement, the Hi-Rise board of directors (the "**Hi-Rise Board**") unanimously determined that the transaction and settlement are (i) in the best interests of the investors; (ii) fair, from a financial point of view, to the investors; and (iii) resolved to recommend that the investors vote in favour of the settlement resolution.

The Hi-Rise Board unanimously recommends that you vote FOR the Settlement Resolution

Key considerations made by management in supporting the transaction and the settlement include:

- a) the transaction is the byproduct of a sale process, which was a competitive and professionally run process, in which the best overall bid was accepted;
- b) the transaction and settlement provides a clear exit strategy in order to allow the project to move forward and does so by 'buying out' the Investors, which has the benefit of greatly improving the project's prospects of attracting construction financing from banks;
- c) the transaction and settlement provides greater certainty to Investors than a 'no' vote and a receivership; and,
- d) the transaction and settlement are expected to yield a total of \$22.2 million (100% of principal plus interest) for Registered Investors (as defined in the information statement enclosed herein) and \$21.6 million (62% of principal or 47% of principal plus interest) for Non-Registered Investors (as defined in the information statement enclosed herein) – this is more than the Financial Advisor, Grant Thornton Limited (engaged by Hi-Rise Capital Ltd. to advise on the transaction), expects from a receivership if investors voted 'no'.

It is important that your investment be represented at the Meeting. If you are unable to attend the Meeting in person, please complete and deposit the enclosed Instrument of Proxy with TSX Trust at Attn: Investor Services, 301-100 Adelaide Street West, Toronto, ON M5H 4H1 or online at <https://www.voteproxyonline.com/pxlogin> so that it is received no later than 1:00 p.m. (Toronto time) on September 23, 2019 or by 1:00 p.m. (Toronto time) on the business day prior to the date on which any adjournment or postponement of the meeting is held. Late proxies may be accepted or rejected by the Chairman of the Meeting in his sole discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

On behalf of Hi-Rise, I would like express our gratitude for your consideration of this important transaction.

Yours very truly,

"Noor Al-Awqati"

**Noor Al-Awqati
Chief Operating Officer**

NOTICE IS HEREBY GIVEN that a meeting (the "**Meeting**") of investors (the "**Investors**") in a Hi-Rise Capital Ltd. ("**Hi-Rise**") mortgage (the "**Hi-Rise Mortgage**") over the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**") entitled to vote on a settlement proposal (the "**Settlement**") proposed by 263 Adelaide Street Lofts Inc. will be held for the following purposes:

to consider and, if deemed advisable, approve, the Settlement on vote terms set out in the Order.

The Meeting is being held pursuant to an order (the "**Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated March 21, 2019. Capitalized terms used but not defined herein have the meanings ascribed in the Order.

NOTICE IS ALSO HEREBY GIVEN that the Meeting will be held at the following dates, times and location:

Date: September 25, 2019

Time 1:00 p.m. (Toronto time)

Location: InterContinental Toronto Centre, 225 Front Street West, Toronto, ON, M5V 2X3

Investors will be eligible to attend the Meeting by person or by proxy to vote on the Settlement.

An Investor who is unable to attend the Meeting may be entitled to vote by proxy, subject to the terms of the Order. Further, any Investor who is not an individual may only attend and vote at the Meeting if a proxyholder has been appointed to act on its behalf at such Meeting.

If the Settlement is approved at the Meeting by the required majorities of Investors and other conditions of the Settlement are met, Hi-Rise intends to make a motion to the Court in October 2019, or on such other date as may be set by the Court seeking an order approving the Settlement and allowing Hi-Rise to discharge the Hi-Rise Mortgage, and all loan obligations and all encumbrances related to the Hi-Rise Mortgage.

In order for the Settlement to become effective:

1. the Settlement must be approved by the required majorities of Investors set out in the Order and voting on the Settlement must be in accordance with the terms of the Order;
2. the Settlement must be approved by the Court after the Meeting; and
3. the conditions to the Settlement as set out in the Settlement must be satisfied or waived, as applicable.

Miller Thompson LLP has been appointed representative counsel of the Investors (**"Representative Counsel"**). Additional copies of the Information Package, including the Information Statement and the Settlement, may be obtained from the Representative Counsel website at <https://www.millerthomson.com/en/hirise/> or by contacting Representative Counsel by telephone at (416) 595-2660 (Toronto local) or by email at gazeff@millerthomson.com.

DATED at Toronto, Ontario, this 6th day of September, 2019.

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**INFORMATION STATEMENT
SUMMARY OF SETTLEMENT**

*This information statement (the “**Information Statement**”) provides a summary of certain information contained in the schedules hereto (collectively, the “**Schedules**” and is provided for the assistance of Investors only). The governing documents are the Settlement, which is attached as Schedule “**B**” to this Information Statement, and the Order granted by the Court on March 21, 2019 (the “**Order**”), which is attached as Schedule “**C**” to this Information Statement. This summary is qualified in its entirety by the more detailed information appearing in the Settlement, the Order or that is referred to elsewhere in the Information Statement. Investors should carefully read the Settlement and the Order, and not only this Information Statement. In the event of any conflict between the contents of this Information Statement and the provisions of the Settlement or the Order, the provisions of the Settlement or the Order, as applicable, govern.*

The documents which have been made available to Investors on the Representative Counsel website at <https://www.millerthomson.com/en/hi-rise/> by Representative Counsel are specifically incorporated by reference into, and form an integral part of this Information Statement.

Capitalized words and terms not otherwise defined in this Information Statement have the meaning given to those words and terms in the Settlement and the Order.

OVERVIEW	<p>You are receiving this Information Statement as you hold an interest in a syndicated mortgage, administered by Hi-Rise Capital Ltd. (“Hi-Rise Capital”) in respect of the property municipally known as 263 Adelaide Street West, Toronto Ontario (the “Property”) and the proposed development known as the “Adelaide Street Lofts” (the “Project”).</p> <p>As set out in the notice of meeting enclosed herein, a meeting of the investors of the syndicated mortgage (the “Investors”) will be held on September 25, 2019 to consider and vote on a settlement proposal proposed by 263 Adelaide Street Lofts (the “Borrower”) in respect of the amounts owing to Investors under the syndicated mortgage.</p> <p>This Information Statement includes background information to the Settlement and a description of your rights as an Investor for the upcoming Meeting.</p>
HOW TO FILL OUT THE FORM OF PROXY	<p>If you are not able to attend the Meeting in person you may fill out and execute the form of proxy enclosed herein, within which you will appoint someone to attend the Meeting and vote on your behalf. If you fill out and execute your form of proxy but do not appoint a proxyholder on your form, Noor Al-Awqati and failing her, Brinn Norman, both of Hi-Rise will be appointed as your proxyholder (the “Management Proxyholders”). They will attend the meeting and</p>

	<p>vote in accordance with your instructions. <u>They do not have the power to change your vote.</u> If you appoint a proxyholder other than a Management Proxyholder, your proxyholder must attend the Meeting or your vote will not be counted.</p>
HOW TO VOTE	<p>Once you have reviewed the materials included herein and as necessary, have consulted with your legal, financial, tax and other professional advisors, it is important that you vote either in support of the Settlement (as defined herein) or against the Settlement.</p> <p>Voting can be completed as follows:</p> <p>In Person: Attend the Meeting in person on September 25, 2019 and vote by ballot.</p> <p>Mail: Appoint either a Management Proxyholder or a proxyholder of your choice, enter voting instructions, sign the form of proxy and send your completed form of proxy to:</p> <p style="text-align: center;">TSX Trust Company 301-100 Adelaide Street West Toronto, Ontario, M5H 4H1</p> <p>Internet: Go to www.voteproxyonline.com. Enter the 12-digit control number printed on the form of proxy and follow the instructions.</p> <p>Fax: Appoint either the Management Proxyholder or a proxyholder of your choice, enter voting instructions, sign the form of proxy and fax a completed copy of the enclosed proxy form to 416-595-9593.</p> <p>IMPORTANT if you do not appoint a Management Proxyholder, your appointed proxyholder must attend the Meeting. If your appointed proxyholder does not attend the Meeting, <u>your vote will not be counted.</u> If you appoint a Management Proxyholder, <u>your vote for or against the Settlement will be voted according to the instructions you have provided.</u> Management Proxyholders cannot change your vote.</p>
BACKGROUND TO THE MEETING	<p>The Property was first purchased by the Borrower in June 2011 for the purpose of developing a high-rise condominium. In order to finance the development of the Property, the Borrower obtained a loan from Hi-Rise Capital in the form of a syndicated mortgage (the "Hi-Rise Mortgage").</p>

	<p>The Borrower subsequently encountered a number of delays in obtaining site approvals, certain of those delays stemming from the fact that parts of the building were designated as heritage attributes.</p> <p>As a result of the syndicated mortgage "freeze" in 2017, the Borrower concluded it would not be able to obtain construction financing for the Project as institutional lenders would not provide financing to projects with a syndicated mortgage in place. As such the Project remains in an undeveloped state.</p> <p>Under the terms of the loan agreement entered into with the Borrower, there is no mechanism for Hi-Rise to discharge the Hi-Rise Mortgage unless it receives full payment of principal and interest, which becomes due upon the completion of the Project. As such, Hi-Rise has applied to the Court for authorization to discharge the mortgage. However, to receive the Court's final approval to discharge the mortgage, Hi-Rise and the Borrower must obtain the approval of the Settlement by a majority of Investors representing two-thirds in value of the Hi-Rise Mortgage (the "Required Majorities").</p> <p>On March 21, 2019, pursuant to the Order attached hereto as Schedule "C", the Court approved the holding of a meeting of Investors to consider, and if deemed advisable, pass a resolution approving the Settlement and the distribution of proceeds therefrom.</p> <p>If the Settlement is approved at the Meeting, Hi-Rise may proceed to bring a motion to the Court for final approval of the Settlement. If the Settlement is not approved at the meeting, Hi-Rise will need to seek other alternatives, set out below under "<i>Alternatives to the Settlement</i>".</p>
CLASSES OF INVESTORS	<p>There are two types of Investors, registered and non-registered. Those Investors who invested their cash investment directly through Hi-Rise are considered "Non Registered Investors". Investors who invested via a Registered Savings Plan or Tax Free Savings Account through Community Trust Company are considered "Registered Investors".</p>
OFFER TO SETTLE	<p>On August 26, 2019, 263 Holdings Inc. ("263 Holdings") made an irrevocable offer to settle the Hi-Rise Mortgage consisting of the following offer to Investors:</p>

- an immediate repayment to all Investors of least \$17,513,000 on closing (the “**Initial Settlement Payment**”);
- Investors holding back a second mortgage (the “**Remaining Mortgage**”) for the balance of their principal investment totalling an estimated \$18,270,000,
- a debenture of the Borrower in the amount of \$8,000,000, unsecured and non-interest bearing, payable six years from the date of closing.

A corporate guarantee of 263 Holdings, the beneficial owner of the Property and other projects, will be provided along with a personal guarantee by Mr. Jim Neilas in respect of an \$8 million debenture. The personal guarantee will be limited to 25% of the total debenture.

A complete copy of the offer to settle is attached hereto as Schedule “B” attached hereto (the “**Settlement**”). The Settlement was accepted on August 29, 2019 by the Hi-Rise Board.

The Remaining Mortgage is expected to be paid out in full within two to three years on the earlier of (i) the Borrower securing construction financing or (ii) the third anniversary of the Remaining Mortgage being registered on title. Under the Remaining Mortgage, interest earns a rate of 5% per annum for the first two years. The Remaining Mortgage earns a rate of 8% per annum for the third year (if required).

The payout of the Initial Settlement Payment and the registration of the Remaining Mortgage will represent the consideration payable for the full satisfaction and release of all rights and obligations of the Borrower under the Loan Agreement, including the obligation of the Borrower to repay the Hi-Rise Mortgage.

Hi-Rise acknowledges that upon receipt of the Initial Settlement Payment, it waives any rights to any further payments to Investors, if any, that may become payable to Hi-Rise under the Loan Agreement or any related documentation.

The total payments expected to be paid to Investors pursuant to the Settlement are as follows:

- Interest Paid to Date Investors:
 - Registered Accounts: \$3,094,770
 - Non-registered Accounts: \$7,430,963

	<ul style="list-style-type: none"> • Initial Settlement Payment: \$17,513,989 • Remaining Mortgage: \$18,270,000 <p>If the Settlement is approved, the total payments to Investors is estimated to be \$43,783,989 (approximately \$22.2 million for Registered Investors and \$21.6 million for Non-Registered Investors), which is \$8,458,511¹ less than the current amount outstanding under the Loan Agreement, being \$ 52,242,500.²</p> <p>The Settlement sets out that Hi-Rise must use commercially reasonable efforts to seek the approval of the Settlement by way of a court order issued by the Ontario Superior Court of Justice (Commercial List) (the "Final Order"). Until such time as a Final Order is received, the Settlement as described above will not be binding.</p> <p>As noted above, in order to obtain the Final Order, Hi-Rise is required to obtain the approval of the Settlement by a majority of Investors representing two thirds in value of the Hi-Rise Mortgage.</p>
<p>REPRESENTATIVE COUNSEL AND THE INVESTOR COMMITTEE</p>	<p>On March 21, 2019, pursuant to the Order, Miller Thompson LLP was appointed as representative counsel of the Investors ("Representative Counsel"). The role of Representative Counsel is to negotiate an early exit of the Hi-Rise Mortgage with the Borrower and to present the Settlement to Investors for their approval.</p> <p>However as of the date of this Information Statement, Hi-Rise has not been able to come to a resolution on a Settlement with Representative Counsel.</p> <p>With input and direction from a committee of Investors consisting of Marco Arquilla, Nikolas Tsakonacos, Vipin K. Kery and Michael Singh (the "Investor Committee"), Representative Counsel informed the Borrower of the following decisions:</p> <ol style="list-style-type: none"> 1. Declined to retain a financial advisor to assist in determining the fairness of the transaction and the Settlement as Representative Counsel advised that Nikolas Tsakonacos, a member of the Investor Committee and a chartered accountant had taken the position that he could provide the

¹ Note that this figure does not take into account the accrued interest, being \$15,987,059.79 as at October 16, 2019. Interest continues to accrue on a daily basis.

² Note that this figure does not take into account the accrued interest. With accrued interest the total amount payable is \$68,229,559.79 as at October 16, 2019.

	<p>review and analysis of the Settlement to the Investors without retaining an advisor.</p> <ol style="list-style-type: none">2. Requested that Hi-Rise and the Borrower agree to the Investor Committee engaging an advisor to complete a comprehensive investigation on the Borrower's entire operations, from the inception of its operating history, including all other projects the Borrower has been involved with.3. On August 24, 2019, opted to make retaining a financial advisor conditional on terms that Hi-Rise and the Borrower could not accept, the result of which being the Investor Committee directing Representative Counsel to not engage an advisor to assist with analyzing the transaction and settlement at all.4. Applied to the Court to cancel the Trustee Application and stop the vote.5. Threatened to apply to the Court for a receivership over the Borrower. <p>The Investor Committee has to date refused to meet and negotiate with the Borrower or participate in the settlement process or hire a financial advisor (or has made the hiring of a financial advisor conditional on terms not related to the Settlement that Hi-Rise and the Borrower could not accept). The Borrower for its part, has offered to agree and pay for a financial advisor to assess the transaction and the settlement and has agreed to provide access to the Borrower and BMO. The Investor Committee has declined unless the Borrower agrees to an order that results in a review and audit of its entire operations, including all related entities and third party consultants from the company's inception in 2004.</p> <p>As the Borrower and Representative Counsel have been unable to agree on the terms of a settlement, on August 28, 2019 the Borrower was forced to make a firm offer to Hi-Rise setting out terms of Settlement, without the endorsement of Representative Counsel or the Investor Committee. On August 29, the board of Hi-Rise reviewed and accepted the offer and resolved to recommend the offer to Investors.</p> <p>Upon reviewing and considering the Settlement, the Investor Committee and Representative Counsel have decided to recommend AGAINST the Settlement.</p>
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	<p>The Investor Committee cited the following reasons for recommending against the Settlement:</p> <ol style="list-style-type: none"> 1. They do not believe that the Property yielded no all cash offers during the sales process; 2. They believe that a financial recovery to Investors would be greater if Meridian Credit Union ("Meridian") were to sell the Property as a distressed asset; and 3. They believe that the cash payable on closing should be higher for Non-Registered Investors. <p>The Investor Committee has also taken the position that they are unwilling to agree on any deal in which the Borrower would receive any form of financial recovery, unless Investors are paid full principal and interest. This would require a fairly quick sale at a price of \$86 million, and there is no evidence that leads Hi-Rise or the Borrower to believe that a sale price anywhere near this amount can be achieved.</p> <p>The Borrower and Hi-Rise both disagree with the conclusion reached by the Investor Committee and share concerns regarding the conduct of the Investor Committee during the negotiation process. In particular, concerns about the leadership of Nikolas George Tsakonakos, who previously has been fined \$175,000 and banned from seeking any employment with regulatory compliance or regulatory supervisory responsibilities for conduct unbecoming and detrimental to the public interest through a general and systemic failure to design, establish, oversee and implement an effective compliance program. In this case, Nikolas Tsakonakos opposed retaining a financial advisor on behalf of investors taking the position that he could provide the review and analysis required. The Board of Hi-Rise strongly took issue and disagreed with this decision. Details of the settlement reached by Mr. Tsacanokos can be found here:</p> <p>https://www.iroc.ca/Documents/2002/096BD07D-5B7B-46D1-9C23-0C971C4256B5_en.pdf.</p>
<p>TIMING OF SETTLEMENT IMPLEMENTATION</p>	<p>It is currently anticipated that the Settlement will be implemented in accordance with the following timetable:</p> <p>September 25 2019 Meeting to vote on the Settlement</p>

	<div>October 2019Final Order</div> <div>December 2019Initial Repayment to Investors</div> <div>December 2021 (or December, 2022)Remaining Mortgage Repayment (this payment may be delayed by one year at the option of the Purchaser)</div> <div>December, 2024 (estimated)Remaining Mortgage Repayment from the Holdings Guarantee after the project is complete</div> <div>Note that the dates above assume a closing in December 2019. These dates will be adjusted accordingly if the closing date is amended.</div>																																				
ANTICIPATED RETURN OF CAPITAL UPON IMPLEMENTATION OF THE SETTLEMENT	<div>For illustrative purposes upon the implementation of the Settlement, Registered Investors could receive a payment of an estimated \$142,127 on an initial investment of \$100,000 and a Non-Registered Investor could receive a payment of \$84,853.</div> <div>The below table sets out the estimated payments to be made to Registered and Non-Registered Investors under the Settlement:</div> <div><div>Registered Investor:</div><table><tr><td>Initial Investment</td><td>\$100,000</td><td>100%</td></tr><tr><td>Interest Paid to Date to Investors⁽¹⁾:</td><td>\$17,766</td><td>18%</td></tr><tr><td>Initial Repayment of Principal⁽²⁾:</td><td>\$100,000</td><td>100%</td></tr><tr><td>Partial Interest Payment on Closing⁽³⁾:</td><td>\$542</td><td>1%</td></tr><tr><td>Remaining Interest Payment converted to Second Mortgage paid on Mortgage Maturity⁽⁴⁾:</td><td>\$26,770</td><td>27%</td></tr><tr><td>Total Repayment on \$100,000 Investment:</td><td>\$145,079</td><td>145%</td></tr></table><div>Non-Registered Investor:</div><table><tr><td>Initial Investment</td><td>\$100,000</td><td>100%</td></tr><tr><td>Interest Paid to Date to Investors⁽¹⁾:</td><td>\$21,339</td><td>21%</td></tr><tr><td>Initial Repayment of Principal⁽²⁾:</td><td>\$0</td><td>0%</td></tr><tr><td>Remaining Mortgage paid on Mortgage Maturity⁽³⁾:</td><td>\$40,551</td><td>39%</td></tr><tr><td>Remaining Mortgage paid from holdings guarantee paid on project completion⁽⁴⁾:</td><td>\$22,973</td><td>23%</td></tr><tr><td>Total Repayment on \$100,000 Investment:</td><td>\$84,863</td><td>83%</td></tr></table></div> <div>Notes: (1) Interest paid to date to Investors varies from one investor to the other depending on how much interest has been received to date. (2) There is no payment made to Non-Registered Investors in October 2019.</div>	Initial Investment	\$100,000	100%	Interest Paid to Date to Investors ⁽¹⁾ :	\$17,766	18%	Initial Repayment of Principal ⁽²⁾ :	\$100,000	100%	Partial Interest Payment on Closing ⁽³⁾ :	\$542	1%	Remaining Interest Payment converted to Second Mortgage paid on Mortgage Maturity ⁽⁴⁾ :	\$26,770	27%	Total Repayment on \$100,000 Investment:	\$145,079	145%	Initial Investment	\$100,000	100%	Interest Paid to Date to Investors ⁽¹⁾ :	\$21,339	21%	Initial Repayment of Principal ⁽²⁾ :	\$0	0%	Remaining Mortgage paid on Mortgage Maturity ⁽³⁾ :	\$40,551	39%	Remaining Mortgage paid from holdings guarantee paid on project completion ⁽⁴⁾ :	\$22,973	23%	Total Repayment on \$100,000 Investment:	\$84,863	83%
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	<p>(3) Payment is expected on or before October 2022.</p> <p>(4) Payment is expected on project completion for October 2025.</p>
INITIAL INVESTMENT AND DISCLOSURE	<p>Investors have previously been informed of the high risk nature of their investment in the Hi-Rise Mortgage. The loan-to-value ratio, which is a financial term used by lenders to express the ratio of a loan to the value of an asset, disclosed to Investors within the Hi-Rise Mortgage documentation between 2011 and 2017 ranged from 181% to 300%. The higher the loan-to-value ratio, the higher the risk for a lender. For example, a loan-to-value ratio of 181% represents a loss of 79% an Investor's principal invested if the property is liquidated in its existing state and a loan-to-value ratio of 300% represents a loss of 100% of an Investor's principal if the property is liquidated in its existing state. The loan-to-value ratio for the Remaining Mortgage obtained as a result of the Settlement is 90% if past interest payments are included, and 70% if no past interest payments are included.</p> <p>The Settlement represents a significantly higher recovery and lower risk exposure than what which was disclosed to Investors as the potential loss in the event of an early exit. The disclosure document Investors relied on disclosed a potential recovery as low as 0% to 21% of principal invested.</p>
HI-RISE WAIVES RECOVERY OF ADMINISTRATIVE COSTS	<p>Following the syndicated mortgage market "freeze" in 2017, Hi-Rise, and its principals have carried the cost of administering the Hi-Rise Mortgage. As at the date of this Information Statement, Hi-Rise and its principals have incurred costs of approximately \$9,000,000. Hi-Rise has waived its right to recover this cost and has limited its application for costs to the legal fees associated with the Settlement.</p>
ALTERNATIVES TO THE SETTLEMENT	<p>In the event that that a majority of Investors fail to approve the Settlement at the Meeting, the options Hi-Rise has to exit and wind up the Hi-Rise Mortgage are as follows:</p> <ul style="list-style-type: none"> • Commence litigation with the Borrower; • Initiate bankruptcy proceedings under the <i>Bankruptcy and Insolvency Act</i>;

	<ul style="list-style-type: none">• Complete a court ordered sale by first mortgagee;▪ Initiate an insolvency proceeding under the <i>Companies and Creditors Arrangement Act</i>; or• Leave the Hi-Rise Mortgage in place indefinitely and seek alternatives to constructing the building. <p>After consulting with its advisors, Hi-Rise has concluded that the above listed processes will take longer to complete and will result in the Investors receiving a substantially less advantageous outcome than the Settlement.</p> <p>In the event that the Investors vote no to the Settlement, it is expected that Meridian would seek a court ordered sale. In such a scenario, Investors will lose control of the process and will not have a say or vote on what happens with their investment.</p>
DISPOSITION OF THE PROPERTY	<p><i>The Exit Process</i></p> <p>The intended exit for the Property was construction and sale of the completed building (or units). However given that the Borrower will be unable to secure construction financing with a syndicated mortgage in place, Hi-Rise has concluded that the completion of the Project by the Borrower alone is no longer possible. Unfortunately, this fact is harmful to your investment as the exit plan you have invested in is no longer possible.</p> <p>Given that the Borrower is entitled to extend the Hi-Rise Loan Agreement and accrue interest and Hi-Rise is not entitled to enforce its security due to a standstill agreement with Meridian Credit Union investors requested an early exit of the Hi-Rise Mortgage. The only option available was to request an outright sale of the property. Hi-Rise approached the Borrower began the process of selling the Property in June of 2017. Shortly thereafter, an independent board of directors of Hi-Rise was established to ensure that the interests of the Investors would be protected throughout the sales process.</p> <p><i>Engagement of BMO</i></p> <p>In May of 2017, the Borrower began interviews with potential brokers and advisors to cause an early exit of the Property by way of outright sale of the Property. The size, type of asset, location, and stage of development, are all aspects the Borrower considered when selecting an advisor.</p>

	<p>After considering several brokerage firms and investment banks, the Borrower retained BMO to act as the advisor on the sale of the Property. In the opinion of the Borrower, BMO was best suited for the role based on recent transactions they had advised on, their expertise in the area and the strength of their proposal to the Borrower in respect of the Property.</p> <p><i>Sale Process</i></p> <p>The Borrower began seeking purchasers for the Property in July of 2017 with the assistance of BMO. It conducted two rounds of bids (with the first round failing to identify a potential purchaser) and eventually identified purchasers who would enter into a joint venture for the development of the Property. The joint venture is not considered to be an outright sale of the Property, but rather an agreement to jointly build and develop the Property. The Borrower was not able to secure an outright purchase of the Property through the process.</p> <p>BMO was originally engaged to sell two properties: the Property (263 Adelaide Street West) and 40 Widmer Street, a residential development property close to the Property. Widmer successfully sold and set a new record for residential land transactions. Adelaide did not sell due to uncertainties with the constructability.</p> <p>The Borrower stopped marketing the property for sale and re-listed the Property in August of 2018 after it made more progress on the zoning and clarified some requirements relating to the heritage and rental replacement aspects of the Property.</p> <p><i>Joint Venture Agreement</i></p> <p>On April 10, 2019, the purchaser, being Lanterra Developments Limited (the "Purchaser") entered into a binding term sheet ("Term Sheet") with 263 Holdings Inc. (the "Vendor") an affiliate of the Borrower, pursuant to which the Purchaser agreed to enter into a joint venture agreement in respect of the Property pursuant to which it would hold a 75% interest in the Property and the Borrower would retain a 25% interest in the property through a single purpose limited partnership (the "Property Transaction").</p> <p>Pursuant to the terms set out in the Term Sheet, the Purchaser will secure a land loan of \$36,575,000 and will make \$20,000,000 available for distribution to the Investors after paying out an aggregate amount of \$16,414,000 to the first mortgage lender, Meridian. The Purchaser will also secure a second loan in the form</p>
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	<p>of the Remaining Mortgage, the terms of which are set out below under the section "<i>Key Terms of the Remaining Mortgage</i>".</p> <p>It is anticipated that the Project will take approximately five years to complete. The Borrower will guarantee all loans on the Property. The Borrower will also earn a development fee as well as property management fees in the following amounts:</p> <ul style="list-style-type: none">• 0.75% of the gross sales value as a developer fee; and• \$5,000 per month as a property management fee for managing all aspects of the property (such as: (i) managing all tenant; (ii) working with real estate agents for leasing units (iii) day to day care of the building including tenant and building emergencies, fire, electrical, water and mechanical maintenance requirements). <p>The Purchaser will also provide all development, construction and cost-overrun and completion cost guarantees required for the redevelopment of the Property, including but not limited to, land and construction financing.</p> <p>The closing of the Property Transaction is subject to a number of standard and customary closing conditions including, among other things, (i) the absence of pending or threatened litigation in respect of the Property Transaction, (ii) delivery of customary legal opinions, closing certificates and other closing documentation and (iii) all other necessary consents, approvals, exemptions, and authorizations of governmental bodies, lenders, lessors and other third parties but which shall specifically exclude the rezoning or development approvals which are not conditions to closing.</p> <p>The Term Sheet sets out that the Project is anticipated to require capitalization of approximately \$300,000,000 comprised of \$195,000,000 of debt, \$57,000,000 of deferred costs and insured deposits, and \$48,000,000 of equity. Ultimately project debt is expected to represent 65% of the Project's capitalization.</p> <p>Note that the Property Transaction has the private equity group of BMO participating (at its option) as an equity investor. BMO's participation was not contemplated until after no cash offers materialized in the second part of the sale process. BMO's private equity group will only participate after construction financing is obtained.</p> <p>Under the terms of an amending agreement entered into between the Vendor and the Purchaser on June 28th, 2019, the Term Sheet will</p>
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	<p>terminate and be of no further effect upon (i) the failure of the parties to settle and enter into definitive agreements, (ii) the failure of the Vendor to obtain approval of the Transaction from Hi-Rise Capital within a set time frame, (iii) at the option of the Purchaser upon the failure of the Vendor to deliver all closing deliverable required under the Term Sheet (iv) at the option of the Vendor upon the failure of the Purchaser to deliver the closing deliverable required under the terms sheet (v) by mutual written agreement of the parties and (vi) October 16, 2019. Note that it is anticipated that the parties will agree to an extension of the outside date for the agreement to December 2019.</p>
KEY ITEMS TO HIGHLIGHT IN THE PROPERTY TRANSACTION	<p>The Property Transaction was specifically negotiated with the interests of the Investors and Hi-Rise in mind, as evidenced by the following:</p> <ul style="list-style-type: none">• the Purchaser has agreed to secure new debt, in the form of a \$36,575,000 mortgage (the "New First Mortgage") in order to pay out a portion of the existing mortgages on title;• the Purchaser has also agreed to secure a second mortgage (the "Remaining Mortgage") for the benefit of Investors in the amount of \$18,270,000, and under the terms of the Remaining Mortgage, has agreed to provide a full guarantee on the principal and interest.• the Purchaser has agreed to discharge the Remaining Mortgage on or prior to the earlier of (i) the date on which any construction loan (which is expected to exceed \$250 million) is advanced or (ii) three years following the registration of the Remaining Mortgage on title. This will reduce the Investor's exposure to risk.• the Purchaser has agreed to provide a full corporate guarantee on the Remaining Mortgage. The Purchaser's corporate guarantee is considered strong by BMO.
KEY TERMS OF THE HI-RISE MORTGAGE	<p>Under the terms of the Hi-Rise Mortgage, the Borrower is entitled to renew the mortgage annually, and is permitted to accrue interest until completion of the Project. There is no restriction on how long the Borrower may accrue interest and the Borrower is under no obligation to pay the mortgage out until the completion and sale of the Project.</p>

	<p>The Hi-Rise Mortgage must be subordinate to all project financing, including construction financing, or any other project financing that is secured to fund construction and completion of the Project.</p> <p>At present, the Hi-Rise Mortgage is in second position behind Meridian which holds a mortgage with principal owing of \$16,414,000, plus accrued interest of \$166,000 as of September 5, 2019. Hi-Rise has agreed to a standstill, a condition typically required by first mortgage lenders when they permit a second to be registered on title. Under the terms of the standstill, Hi-Rise cannot take any action to enforce the mortgage. If it could take action to enforce the mortgage, the Borrower has a potential cause of action against Hi-Rise for failing to advance on the mortgage as well as not remaining until completion of the Project.</p>
<p>KEY TERMS OF THE REMAINING MORTGAGE</p>	<p>The Remaining Mortgage will be granted by the Purchaser, as mortgagor, to a Hi-Rise entity who will act as trustee and hold the Remaining Mortgage for the benefit of Investors as mortgagee (the "Remaining Mortgagee") and will be subordinated and postponed to the New First Mortgage, the terms of which will be set out in an inter-lender agreement between the Remaining Mortgage and the mortgagee of the New First Mortgage.</p> <ul style="list-style-type: none"> • The Remaining Mortgage will have the following terms and conditions: <ul style="list-style-type: none"> ○ The maturity date of the Remaining Mortgage will be the earlier of (i) the receipt of the shoring and excavation permit for the project to be developed at the Property, and (ii) the date which is three years next following the closing date of the Property Transaction. ○ The principal amount of the Remaining Mortgage will be equal to the positive difference between (i) 73,150,000, and (ii) the aggregate of (1) the principal amount of the New First Mortgage and (2) the equity contribution made by 263 Holdings Inc. to the Purchaser of \$18,287,500. The anticipated principal amount of the New First Mortgage is \$36,575,000. The anticipated principal amount of the Remaining Mortgage is therefore \$18,287,500. ○ Interest on the Remaining Mortgage will be payable at five percent per annum during the first two years

	<p>of the term and eight percent per annum for the final year of the term, in each case calculated semi-annually not in advance. This amount is being advanced on closing.</p> <ul style="list-style-type: none">○ The Borrower shall have the right to prepay the Remaining Mortgage in whole or in part, without penalty, bonus, set-off or deduction on note less than thirty days' prior written notice.○ The Remaining Mortgage will be assignable by the Remaining Mortgagee with the prior written consent of the joint-venture partnership, such consent not to be unreasonably withheld, conditioned or delayed.• The interest reserve will be held in trust with a law firm mutually acceptable to the Purchaser and Hi-Rise. The interest reserve will be released immediately for distribution on closing and will form part of the closing proceeds to investors.• Upon the repayment in full of the Remaining Mortgage, the Remaining Mortgagee will agree to execute an acknowledgement and direction authorizing the discharge of the registered charge from title and if so requested by the joint-venture partnership, a full and final release of each of parties.
OTHER MATERIAL FACTORS AFFECTING RECOVERY OF THE ORIGINAL FIRST MORTGAGE	<p>The following is a list of factors supporting Hi-Rise's decision to complete the Property Transaction and move forward with the Settlement:</p> <p><i>First Mortgage Loan Non-Renewal:</i></p> <p>The Meridian Credit Union loan came due in February of 2019. Meridian is not renewing the loan. Meridian has agreed to not enforce their mortgage until Hi-Rise Capital completes the Meeting and completes its court application.</p> <p><i>Dramatic Increase in Construction Costs:</i></p> <p>Construction costs have increased dramatically. The current zoning for the Property has rendered construction cost prohibitive and changes to the zoning are required.</p>

	<p><i>Sale Process:</i></p> <p>The sale process yielded no all cash offers that offered an acceptable recovery for the Hi-Rise Mortgage (only joint venture offers).</p>
<p>RECOMMENDATION OF HI-RISE CAPITAL BOARD OF DIRECTORS</p>	<p>The boards of directors of Hi-Rise Capital Ltd. recommend that the Investors vote FOR or YES to the resolution to approve the Settlement.</p> <p>In reaching its decision to support and recommend the Settlement, the board concluded that the Settlement would:</p> <ul style="list-style-type: none"> • provide Investors with an efficient process to achieve an early exit of the Hi-Rise Mortgage; • provide Investors with more control over the process than if recovery of the investment was completed through litigation or sold under court order by Meridian as a distressed asset; • provide Investors with direct independent legal representation ensuring that Investor's interests are strongly advocated; • provide for a settlement of, and consideration for, all claims by Investors; • add certainty to the ultimate outcome of the Hi-Rise Mortgage; and • avoid a distress sale which would likely result in a significantly lower price for the Property and a worse recovery for Investors.
<p>SUPPORT OF GRANT THORNTON AS FINANCIAL ADVISORS TO HI-RISE CAPITAL</p>	<p>Grant Thornton Limited ("Grant Thornton") were retained to act as financial advisors to Hi-Rise in connection with the Settlement. As part of their review of the Settlement, Grant Thornton conducted a thorough review of the documentation related to the Hi-Rise operations, and the Settlement, and have prepared two reports that detail their findings in respect of the following:</p> <p>Report on Hi-Rise Operations</p> <ul style="list-style-type: none"> • Hi-Rise's bank statements;

- Project appraisals and valuations;
- Sample of Investor loan participation agreements, Investor disclosure packages and mortgage loan documents;
- Sample Hi-Rise marketing materials; and
- Correspondence from Investors.

Based on their review of the above, Grant Thornton concluded:

- The actions taken by Hi-Rise have been well documented and supported;
- Hi-Rise completed an adequate credit analysis prior to making amendments to the mortgage commitment;
- Adequate disclosure was provided to Investors in respect of the risks associated with the real estate development market, potential conflicts of interest, related party transactions, Investor rights and fees (including amounts and fees);
- Hi-Rise did consider project viability and recovery when setting mortgage lending limits and subsequent amendments;
- Investor payments were paid in accordance with the respective loan agreements and Investors were provided with adequate disclosure in respect of the risk of their investment;
- There was no co-mingling of Investor proceeds;
- The marketing materials did not contain information that was inconsistent with Investor disclosure;
- The financial data provided to Investors was consistent with the *pro forma* financials statements and claims regarding the status of the Project; and
- The Investors received consistent updates regarding any material changes to the Project

Report on the Settlement

- The circumstances which have led to the Settlement appear to be separate and distinct from the circumstances that led to the failure of other syndicated mortgages in Ontario.
- The sales process undertaken by BMO was thorough and yielded the best price

	<ul style="list-style-type: none"> • They support management's decision to approve the settlement because it represents a better outcome than the alternatives • Were it not for management's efforts and capital injection over the last two years, investors may not have had as good an outcome • Complexity of construction due to Heritage aspect of property is primary reason no cash offers have been received for the Property <p>Grant Thornton has concluded that if Investors vote NO to the Settlement, a receivership sale would be challenging as the market appears to have been exhaustively canvassed in the sales process.</p> <p>If Investors vote YES to the Settlement, there is a payment stream for Investors estimated to total \$43.8 million. As such Grant Thornton has concluded that the Settlement appears to possess less risk and provides clarity and certainty to Investors. Grant Thornton does not disagree with management of Hi-Rise's recommendation that Investors vote YES to the Settlement.</p>
CLASSIFICATION OF INVESTORS: FIRST AND SECOND PRIORITY	<p>Pursuant to the terms of the Settlement, Investors shall rank in priority according to their documents. Registered Investors will rank in priority to Non-Registered Investors, and will earn full principal and interest. Non-Registered Investors will be paid all remaining funds.</p> <p>Non-Registered Investors will be treated equally and shall receive their returned principal on a <i>pari passu</i> basis with all other Non-Registered Investors, regardless of when an investment was made. The amount of interest paid to the Investor to date shall have no impact on the repayment priority to Investors under the Settlement.</p>
MEETING	<p>Pursuant to the Order granted by the Court on March 21, 2019, the Meeting has been called for the purposes of having Investors consider and vote whether to approve the Settlement.</p> <p>The Meeting is scheduled to be held at 1:00 p.m. (Toronto time) on September 25, 2019 at the InterContinental Toronto Centre, 225 Front Street West, Toronto, ON, M5V 2X3.</p> <p>The Meeting will be held in accordance with the Order and any further Order of the Court. The only persons entitled to attend each of the Meeting are those specified in the Order.</p>

	<p>A representative of Hi-Rise will preside as the chair of the Meeting (the "Chair") and, subject to the Order or any further Order of the Court, will decide all matters relating to the conduct of the Meeting. The Chair will direct a vote with respect to the approval of the Settlement. The form of resolution to approve the Settlement is attached as Schedule "A" to this Information Statement (the "Settlement Resolution").</p> <p>Following collection of the votes at the Meeting and those submitted electronically, TSX Trust Company, the scrutineers appointed will tabulate the votes and Hi-Rise will determine whether the Settlement has been accepted by the Required Majorities, all in accordance with the procedure established in the Order. Hi-Rise will file a report with the Court regarding the Meeting and the Settlement, including the results of the votes. A copy of such report will be posted on the Representative Counsel's website prior to the hearing to consider the Settlement.</p>
ENTITLEMENT TO VOTE	<p>Investors shall be entitled to vote at the Meeting in person or by proxy. Proxy voting is a process by which an Investor's vote will count at the meeting but does not require the Investor's attendance at the Meeting. More information about this process is outlined below.</p>
WEIGHT OF VOTING	<p>The weight of votes shall be proportional to the size one's investment in the Hi-Rise Mortgage, with the aggregate value of \$52,242,500 to be represented by such votes. Note that the aggregate value of the mortgage will be finalized at the time of voting and discharge and may change from the value reflected herein.</p>
APPOINTMENT OF PROXYHOLDERS AND VOTING	<p>An individual that is not an Investor may only attend and vote at a Meeting if it has appointed a proxyholder to attend and act on its behalf at such Meeting.</p> <p>All proxies submitted in respect of the Investors must be: (i) submitted by 1:00 p.m. at least two business days prior to the Meeting; and (ii) in substantially the form of the proxy enclosed herein, or in such other form acceptable to the chair of the Meeting.</p> <p>Investors have the power to revoke proxies previously given by them. Revocation of proxies by Investors can be effected by an instrument in writing (which includes a form of proxy bearing a later date) signed by a Investor or the Investor's attorney duly authorized in writing (in the case of a corporation, such investment must be</p>

	executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation) which is either delivered to TSX Trust Company at 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1, Canada any time up to and including the close of business on the last business day preceding the day of the Meeting, or any postponement or adjournment thereof, or deposited with the Meeting Chair prior to the hour of commencement on the day of the Meeting.
APPROVAL OF SETTLEMENT	In order for the resolution to pass, the Settlement must be approved by a majority in number of Investors representing at least two thirds in value of the voting claims of Investors, in each case present and voting in person or by proxy.
COURT APPROVAL OF SETTLEMENT	<p>If the Settlement is accepted by the Required Majorities, Hi-Rise will bring a motion to the Court for:</p> <ul style="list-style-type: none">(a) Final approval of the Settlement;(b) Further direction pursuant to section 60 of the <i>Trustee Act</i> as is appropriate to permit it to carry out its role in a manner consistent with the loan participation agreement and mortgage participation agreements; and(c) Approval of the conduct and fees of Representatives Counsel.

Schedule "A"

Settlement Resolution

"BE IT RESOLVED AS A SPECIAL RESOLUTION OF INVESTORS IN THE HI-RISE CAPITAL LTD. MORTGAGE OVER THE PROPERTY MUNICIPALLY KNOWN AS 263 ADELAIDE STREET WEST THAT:

1. subject to the approval of the Superior Court of Justice (Commercial List), the proposed settlement, as more particularly described in the information statement of Hi-Rise Capital Ltd. ("Hi-Rise") dated September 6, 2019 is hereby approved.
2. Any one officer or director of Hi-Rise be, and each of them hereby is, authorized and empowered, acting for, in the name of and on behalf of Hi-Rise to execute or cause to be executed and to deliver or to cause to be delivered all such documents, all in such form and containing such terms and conditions as any one of them shall consider necessary or desirable in connection with the foregoing and such approve, such approval to be conclusively evidenced by the execution thereof by Hi-Rise, and to do or to cause to be done all such acts and things as any one of them shall consider necessary or desirable in connection with the foregoing or in order to give effect to the intent of the foregoing paragraph of this resolution."

Schedule "B"

SETTLEMENT AGREEMENT

See attached.

263 Holding Inc.

August 26, 2019

Re: 263 Adelaide Street West Mortgage Loan

Irrevocable Offer to Settle

This is an irrevocable offer to settle the mortgage on the above noted property. This offer reflects a month of ongoing discussions with the investment committee. We do not know if they will support the offer but this is what we feel we can offer at this time.

As you know, there are three components to an investor payout:

1. Closing (net funds from the \$20 million in excess of the first mortgage loan of \$36,575,000);
2. New 2nd mortgage in the amount of \$18,270,000
3. Debenture issued by 263 Holdings Inc., Mr. Neilas' main holding company that will hold the JV interest in the Adelaide project

We are prepared to offer investors the following:

1. Payout of \$17,513,000 on closing, as per the Grant Thornton calculation;
2. Registration of a new second mortgage as with interest payable of zero (the investment committee requested the interest reserve to be released on closing so it is included in the closing payout;
3. A debenture in the amount of \$8,000,000, unsecured, non-interest bearing, payable in 6 years from the date of closing, from the 263 Holdings Inc., Mr. Neilas' main development company, and the one which will hold the interest in the JV.

We are willing to provide a corporate guarantee of the main company holding assets (263 Holdings Inc.). We are also willing to provide a personal guarantee for the debt instrument.

We propose the following:

1. Mr. Neilas will provide a debenture of \$8 million.

2. Mr. Neilas will personally guarantee 25% of the debenture, which is consistent with industry practice.

Please respond to this counter offer no later than 5 pm on Tuesday, August 27, 2019.



263 Holdings Inc.

Jim Neilas, ASO

SCHEDULE "C"

ORDER

See attached.

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

THE HONOURABLE

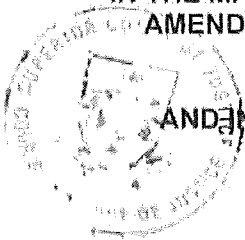
MR. JUSTICE HAINEY

)
)
)
)

THURSDAY, THE 21st

DAY OF MARCH, 2019

**IN THE MATTER OF SECTION 60 OF THE TRUSTEE ACT, R.S.O. 1990, C. T.23, AS
AMENDED, AND RULE 10 OF THE ONTARIO RULES OF CIVIL PROCEDURE,
R.R.O. 1990, REG. 194, AS AMENDED**



**AND IN THE MATTER OF HI-RISE CAPITAL LTD. AND IN THE MATTER OF
ADELAIDE STREET LOFTS INC.**

ORDER

THIS APPLICATION, made by the Applicant, Hi-Rise Capital Ltd. ("Hi-Rise"), for advice and directions and an Order appointing representative counsel pursuant to section 60 of the *Trustee Act*, R.S.O. 1990, c. T.23, as amended and Rule 10 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

ON READING the Application Record of the Applicant, including the Affidavit of Noor Al-Awqati sworn March 19, 2019, and on hearing the submissions of the lawyer(s) for each of the Applicant, the Superintendent of Financial Services, prospective Representative Counsel, Adelaide Street Lofts Inc. (the "**Borrower**"), Teresa Simonelli and Tony Simonelli and other investors represented by Guardian Legal Consultants (as set out on the counsel slip), Alexander Simonelli (appearing in person), Nicholas Verni (appearing in person), and Nick Tsakonacos (appearing in person) no one else appearing,

SERVICE

1. **THIS COURT ORDERS** that all parties entitled to notice of this Application have been served with the Notice of Application, and that service of the Notice of Application

is hereby abridged and validated such that this Application is properly returnable today, and further service of the Notice of Application is hereby dispensed with.

APPOINTMENT OF REPRESENTATIVE COUNSEL

2. **THIS COURT ORDERS** that Miller Thomson LLP is hereby appointed as representative counsel to represent the interests of all persons (hereafter, all persons that have not delivered an Opt-Out Notice (defined below) shall be referred to as the "Investors") that have invested funds in syndicated mortgage investments ("SMI") in respect of the proposed development known as the "Adelaide Street Lofts" (the "Project") at the property known municipally as 263 Adelaide Street West, Toronto, Ontario (the "Property").

3. **THIS COURT ORDERS** that any individual holding an SMI who does not wish to be represented by the Representative Counsel and does not wish to be bound by the actions of Representative Counsel shall notify the Representative Counsel in writing by facsimile, email to sdecaria@millerthomson.com (Attention: Stephanie De Caria), courier or delivery, substantially in the form attached as **Schedule "A"** hereto (the "**Opt-Out Notice**"), and shall thereafter not be so represented and shall not be bound by the actions of the Representative Counsel and shall represent himself or herself or be represented by any counsel that he or she may retain exclusively at his or her own expense in respect of his or her SMI (any such Investor who delivers an Opt-Out Notice in compliance with the terms of this paragraph, "**Opt-Out Investor**") and any Opt-Out Investor who wishes to receive notice of subsequent steps in this proceeding shall deliver a Notice of Appearance.

4. **THIS COURT ORDERS** that the Representative Counsel shall represent all Investors in connection with the negotiation and implementation of a settlement with respect to their investments in the SMI and the Project, and shall subject to the terms of the Official Committee Protocol be entitled to advocate, act, and negotiate on behalf of the Investors in this regard, provided that the Representative Counsel shall not be permitted to (i) bind investors to any settlement agreement or proposed distribution relating to the Property without approval by the investors and the Court; or (ii) commence or continue any proceedings against Hi Rise, its affiliates or principals, on

behalf of any of the Investors or any group of Investors, and for greater certainty, Representative Counsel's mandate shall not include initiating proceedings or providing advice with respect to the commencement of litigation but may include advising Investors with respect to the existence of alternative courses of action.

5. **THIS COURT ORDERS** that Representative Counsel be and it is hereby authorized to retain such actuarial, financial and other advisors and assistants (collectively, the "**Advisors**") as may be reasonably necessary or advisable in connection with its duties as Representative Counsel.

6. **THIS COURT ORDERS** that the Representative Counsel be and it is hereby authorized to take all steps and do all acts necessary or desirable to carry out the terms of this Order and fulfill its mandate hereunder.

TERMINATION OF EXISTING ADVISORY COMMITTEE

7. **THIS COURT ORDERS** that the Engagement Letter dated September 6, 2018, including the Terms of Reference attached as Schedule "A" thereto (the "**Engagement Letter**"), be and it is hereby terminated, provided that nothing contained herein shall terminate the requirement that outstanding fees and disbursements thereunder be paid.

8. **THIS COURT ORDERS** that the respective roles of the Advisory Committee and Communication Designate (as such terms are defined in the Engagement Letter) be and they are hereby terminated.

9. **THIS COURT ORDERS** that the Communication Designate shall forthwith provide to Representative Counsel all security credentials in respect of the Designated Email (as such term is defined in the Engagement Letter).

APPOINTMENT OF OFFICIAL COMMITTEE

10. **THIS COURT ORDERS** that Representative Counsel shall take steps to establish an Official Committee of Investors (the "**Official Committee**") substantially in accordance with the process and procedure described in the attached **Schedule "B"** ("**Official Committee Establishment Process**").

11. **THIS COURT ORDERS** that the Official Committee shall operate substantially in accordance with the protocol described in the attached **Schedule "C"** (the "**Official Committee Protocol**").

12. **THIS COURT ORDERS** that the Representative Counsel shall consult with and rely upon the advice, information, and instructions received from the Official Committee in carrying out the mandate of Representative Counsel without further communications with or instructions from the Investors, except as may be ordered otherwise by this Court.

13. **THIS COURT ORDERS** that in respect of any decision made by the Official Committee (a "**Committee Decision**"), the will of the majority of the members of the Official Committee will govern provided, however, that prior to acting upon any Committee Decision, Representative Counsel may seek advice and direction of the Court pursuant to paragraph 22 hereof.

14. **THIS COURT ORDERS** that, in circumstances where a member of the Official Committee has a conflict of interest with the interests of other investors respect to any issue being considered or decision being made by the Official Committee, such member shall recuse himself or herself from such matter and have no involvement in it.

15. **THIS COURT ORDERS** that the Representative Counsel shall not be obliged to seek or follow the instructions or directions of individual Investors but will take instruction from the Official Committee..

INVESTOR INFORMATION

16. **THIS COURT ORDERS** that Hi-Rise is hereby authorized and directed to provide to Representative Counsel the following information, documents and data (collectively, the "**Information**") in machine-readable format as soon as possible after the granting of this Order, without charge, for the purposes of enabling Representative Counsel to carry out its mandate in accordance with this Order:

- (a) the names, last known addresses and last known telephone numbers and e-mail addresses (if any) of the Investors; and

- (b) upon request of the Representative Counsel, such documents and data as the Representative Counsel deems necessary or desirable in order to carry out its mandate as Representative Counsel


and, in so doing, Hi-Rise is not required to obtain express consent from such Investors authorizing disclosure of the Information to the Representative Counsel and, further, in accordance with section 7(3) of the *Personal Information Protection and Electronic Documents Act*, this Order shall be sufficient to authorize the disclosure of the Information, without the knowledge or consent of the individual Investors.

FEES OF COUNSEL

which amount shall exclude disbursements incurred by Representative Counsel

17. **THIS COURT ORDERS** that the Representative Counsel shall be paid by the Borrower its reasonable fees ~~and disbursements~~ consisting of fees ~~and disbursements~~ from and after the date of this order incurred in its capacity as Representative Counsel ("**Post-Appointment Fees**"), up to a maximum amount of \$250,000 or as may otherwise be ordered by this Court. The Borrower shall make payment on account of the Representative Counsel's ~~fees and disbursements~~ ^{its} ~~Post-Appointment Fees~~ on a monthly basis, forthwith upon rendering its accounts to the Borrower for fulfilling its mandate in accordance with this Order, and subject to such redactions to the invoices as are necessary to maintain solicitor-client privilege between the Representative Counsel and the Official Committee and/or Investors. In the event of any disagreement with respect to such fees and disbursements, such disagreement may be remitted to this Court for determination. Representative Counsel shall also obtain approval of its fees and disbursements from the Court on notice to the Official Committee.

18. **THIS COURT ORDERS** that the Representative Counsel is hereby granted a charge (the "**Rep Counsel Charge**") on the Property, as security for the Post-Appointment Fees and that the Rep Counsel Charge shall form an unregistered charge on the Property in priority to the existing \$60 million mortgage registered in the name of Hi-Rise Capital Ltd. and Community Trust Company as Instrument Numbers AT3522463, AT3586925, AT3946856, AT4420428, AT4505545, AT4529978, AT4572550, AT4527861, and AT4664798 (the "**Hi-Rise Mortgage**"), but subordinate to the \$16,414,000 mortgage in favour of Meridian Credit Union Limited registered as

Instrument Number AT4862974 ("**Meridian Mortgage**"), and that Rep Counsel Charge will be subject to a cap of \$250,000. No person shall register or cause to be registered the Rep Counsel Charge on title to the Property. 

19. **THIS COURT ORDERS** that the motion by Representative Counsel for a charge for its fees prior to the date its appointment and by counsel for Hi-Rise seeking a charge for its fees incurred in respect of this Application both shall be heard before me on April 4, 2019.

20. **THIS COURT ORDERS** that the reasonable cost of Advisors engaged by Representative Counsel shall be paid by the Borrower. Any dispute over Advisor costs will be submitted to the Court for resolution.

21. **THIS COURT ORDERS** that the payments made by the Borrower pursuant to this Order do not and will not constitute preferences, fraudulent conveyances, transfers of undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable laws.

GENERAL

22. **THIS COURT ORDERS** that the Representative Counsel shall be at liberty, and it is hereby authorized, at any time, to apply to this Court for advice and directions in respect of its appointment or the fulfillment of its duties in carrying out the provisions of this Order or any variation of the powers and duties of the Representative Counsel, which shall be brought on notice to Hi-Rise and the Official Committee, the Financial Services Commission of Ontario ("**FSCO**") and any person who has filed a Notice of Appearance (including the Opt-Out Investors) unless this Court orders otherwise.

23. **THIS COURT ORDERS** that the Representative Counsel and the Official Committee shall have no personal liability or obligations as a result of the performance of their duties in carrying out the provisions of this Order or any subsequent Orders, save and except for liability arising out of gross negligence or wilful misconduct.

24. **THIS COURT ORDERS** that any document, notice or other communication required to be delivered to Representative Counsel under this Order shall be in writing, and will be sufficiently delivered only if delivered to

**Miller Thomson LLP, in its capacity as
Representative Counsel**

Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario M5H 3S1

Facsimile: 416-595-8695
Email: sdecaria@millerthomson.com and
gazeff@millerthomson.com

Attention: Gregory Azeff & Stephanie De Caria

25. **THIS COURT ORDERS** that the Representative Counsel shall as soon as possible establish a website and/or online portal (the "**Website**") for the dissemination of information and documents to the Investors, and shall provide notice to Investors of material developments in this Application via email where an email address is available and via regular mail where appropriate and advisable.

POWERS OF HI-RISE CAPITAL LTD.

26. **THIS COURT ORDERS** that the issue of whether Hi-Rise has the power under loan participation agreements (each, an "**LPA**") and mortgage administration agreements (each, a "**MAA**") that it entered into with investors in the Project and at law grant to a discharge of the Hi-Rise Mortgage despite the fact that the proceeds received from the disposition of a transaction relating to the Property (the "**Transaction**") may be insufficient to pay in full amounts owing under the Hi-Rise Mortgage will be determined by motion before me on April 4, 2019.

INVESTOR AND COURT APPROVAL

27. **THIS COURT ORDERS** that Hi-Rise is permitted to call, hold and conduct a meeting (the "**Meeting**") of all investors in the Project, including Opt-Out Investors, to be held at a location, date and time to be determined by Hi-Rise, in order for the investors

to consider and, if determined advisable, pass a resolution approving the Transaction and the distribution of proceeds therefrom (the "**Distribution**").

28. **THIS COURT ORDERS** that, in order to effect notice of the Meeting, Hi-Rise shall send notice of the location, date and time of the Meeting to investors at least ten days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by the method authorized by paragraph 32 of this order.

29. **THIS COURT ORDERS** that accidental failure by Hi-Rise to give notice of the Meeting to one or more of the investors, or any failure to give such notice as a result of events beyond the reasonable control of Hi-Rise, or the non-receipt of such notice shall, subject to further order of this Court, not constitute a breach of this Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure is brought to the attention of Hi-Rise, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

30. **THIS COURT ORDERS** that Hi-Rise shall permit voting at the Meeting either in person or by proxy.

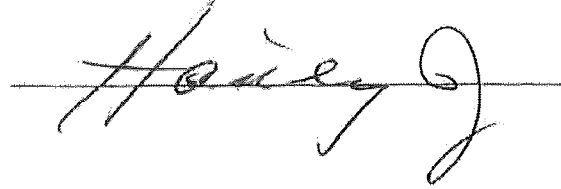
31. **THIS COURT ORDERS** that if at the Meeting a majority in number of the investors representing two-thirds in value present and voting either in person or by proxy cast votes in favour of the proposed Transaction and Distribution, Hi-Rise may proceed to bring a motion to this court, on a date to be fixed, for

- (a) final approval of the Transaction and Distribution;
- (b) further directions pursuant to section 60 of the *Trustee Act* as are appropriate to permit it to carry out its role in a manner consistent with the LPA and MAA and its duties at law; and
- (c) approval of the conduct and fees of Representative Counsel.

NOTICE TO INVESTORS

32. Hi-Rise or Representative Counsel shall mail a copy of this Order to the last known address of each investor within 10 days of the date of this Order or where an

Investor's email address is known, the Order may instead be sent by email.
Representative Counsel shall also post a copy of this Order on the Website.

A handwritten signature in cursive script, appearing to read "Halsey J.", is written over a horizontal line.

Schedule "A"

OPT-OUT NOTICE

Miller Thomson LLP, in its capacity as
Representative Counsel

Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario M5H 3S1

Facsimile: 416-595-8695
Email: sdecaria@millerthomson.com

Attention: Stephanie De Caria

I/we, _____, are Investor(s) in a Hi-Rise Capital Ltd. mortgage registered against titled to the property municipally known as 263 Adelaide Street West. ***[Please ensure to insert the name, names or corporate entity that appear on your investment documents].***

Under paragraph 3 of the Order of the Honourable Justice Halney dated March 21, 2019 (the "**Order**"), Investors who do not wish Miller Thomson LLP to act as their representative counsel may opt out.

I/we hereby notify Miller Thomson LLP that I/we do not wish to be represented by the Representative Counsel and do not wish to be bound by the actions of Representative Counsel and will instead either represent myself or retain my own, individual counsel at my own expense, with respect to the SMI in relation to Adelaide Street Lofts Inc. and the property known municipally as 263 Adelaide St. W., Toronto, Ontario.

I also understand that if I wish to receive notice of subsequent steps in the court proceedings relating to this property, I or my counsel must serve and file a Notice of Appearance.

If the Investor(s) is an individual, please execute below:

_____ Date	_____ Signature
_____ Date	_____ Signature

If the Investor is a corporation, please execute below:

) _____
) [insert corporation name above]
) Per: _____
) Name: Name
) Title: Title
) I/We have the authority to bind
) the corporation

Schedule "B"

Official Committee Establishment Process

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 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 "**Project**") and the proposed development known as the "Adelaide Street Lofts". Pursuant to the Order, Representative Counsel was directed to appoint the Official Committee of Investors (the "**Official Committee**") in accordance with this Official Committee Establishment Process. The Official Committee is expected to consist of five Investors.


All capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Order. All references to a singular word herein shall include the plural, and all references to a plural word herein shall include the singular.

Pursuant to the Order, the Representative Counsel shall, among other things, consult with and take instructions from the Official Committee in respect of the SMI and the Project.

This protocol sets out the procedure and process for the establishment of the Official Committee.

Establishment of the Official Committee

1. As soon as reasonably practicable, Representative Counsel will deliver a communication calling for applications ("**Call for Official Committee Applications**") to Investors by mail and by email where an email address is available. Representative Counsel shall also post on the Website (as defined in the Order) a copy of the Call for Official Committee Applications.

 2. The deadline to submit an application pursuant to the Call for Official Committee Applications will be 5:00 p.m. EST on ~~March 29~~ ^{April 1}, 2019 (the "**Applications Deadline**"), or such later date as Representative Counsel may deem reasonably practicable. Investors wishing to act as a member of the Official Committee (each, an "**Official Committee Applicant**") shall submit their application by the Applications Deadline. Applications submitted past the Applications Deadline will not be reviewed by Representative Counsel.

3. In order to serve as a member of the Official Committee, the Official Committee Applicant must be an Investor that holds an SMI. If the SMI is held through a corporate entity, the Official Committee Applicant must be a director of the corporation in order to be a member of the Official Committee.

4. An Official Committee Applicant must not have a conflict of interest with the interests of other investors.

5. Representative Counsel will review applications submitted by the Applications Deadline and will create a short list (the "**Short List**") of no more than 20 candidates who should be extended invitations for an interview. As soon as reasonably practicable, the interviews will be conducted by teleconference by Representative Counsel (the "**Interviews**"). For consistency in evaluating each Official Committee Applicant,

- (a) all of the interviews will follow the same structure and will be approximately the same length (about half an hour); and
- (b) substantially similar questions will be posed to each interviewee.

6. Following the Interviews, Representative Counsel will select seven Official Committee Applicants (the "**Short List Candidates**") who, in Representative Counsel's judgment, are the best candidates to serve as either (i) a member of the Official Committee (a "**Member**") or (ii) an alternate Member should any of the Members resign or be removed from the Official Committee (an "**Alternate**"). From the Short List Candidates, Representative Counsel will select five Members and two Alternates. In determining the Short List Candidates, Representative Counsel reserves the right to consider, among other factors: (i) experience with governance or the mortgage industry; (ii) education; (iii) answers to interview questions; (iv) the amount of the Official Committee Applicant's SMI.

7. As soon as reasonably practicable, Representative Counsel will submit the Short List Candidates to the Court for approval, along with each of their applications. A summary of each Member and Alternate and their respective qualifications will also be submitted to the Court.

Schedule "C"

Official Committee Protocol

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 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 "**Project**") and the proposed development known as the "Adelaide Street Lofts".

All capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Order. All references to a singular word herein shall include the plural, and all references to a plural word herein shall include the singular.

This protocol sets out the terms governing the Official Committee established by Representative Counsel pursuant to the Official Committee Establishment Process, as approved by the Order. All Investors that have been accepted by Representative Counsel to serve as a member of the Official Committee (each, a "**Member**") shall be bound by the terms of this protocol.

This protocol is effective as at the date of the Order.

The Official Committee and Representative Counsel shall be governed by the following Official Committee Protocol:

1. **Definitions:** Capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Order.
2. **Resignations:** A Member may resign from the Official Committee at any time by notifying Representative Counsel and the other Members, by email. If a Member is incapacitated or deceased, such Member shall be deemed to have resigned from the Official Committee effective immediately.
3. **Expulsions:** Any Member may be expelled from the Official Committee for cause by Representative Counsel or by order of the Court. For greater certainty, "for cause" includes but is not limited to: (a) if a Member is unreasonably disruptive to or interferes with the ability of the Official Committee or Representative Counsel to conduct its affairs or fulfill their duties; (b) if a Member is abusive (verbal or otherwise) towards Representative Counsel or any Member; (c) if a Member fails to attend either (i) two (2) consecutive meetings without a valid reason (as determined by Representative Counsel in its sole discretion) or (ii) three (3) meetings whether or not a valid reason is provided; (d) if a Member commits any act or engages in any conduct that, in Representative Counsel's opinion, may bring the reputation or credibility of the Official Committee into dispute; (e) if in Representative Counsel's opinion, an irreconcilable conflict of interest arises between a Member and the Official Committee; or, (f) if, for any reason, a Member is unable to reasonably fulfill his/her duties as a Committee Member.

4. **Role of the Official Committee:** The role of the Official Committee is to consult with and provide instructions to Representative Counsel, in accordance with the terms of this protocol, with respect to matters related to the SMI and the Project.
5. **Multiple Views:** It is recognized and understood that Members may have divided opinions and differing recommendations, and accordingly, consensus on feedback regarding any potential resolution of matters related to the SMI and Project may not be achievable. In such circumstances, the will of the majority of the Members will govern. In making decisions and taking steps, Representative Counsel may also seek the advice and direction of the Court if necessary.
6. **Good Faith:** For the purposes of participation in the Official Committee, each Member agrees that he or she will participate in good faith, and will have appropriate regard for the legitimate interests of all Investors.
7. **No liability:** No Member shall incur any liability to any party arising solely from such Members' participation in the Official Committee or as a result of any suggestion or feedback or instructions such Member may provide to Representative Counsel.
8. **Compensation:** No Member shall receive compensation for serving as a Member of the Consecutive Committee.
9. **Chair:** Representative Counsel shall be the chair of the meetings of the Official Committee.
10. **Calling Meetings:** Representative Counsel, at the request of a Member or at its own instance, may call meetings of the Official Committee on reasonable advance written notice to the Members, which notice shall be made by e-mail. Meetings may be convened in person, at the offices of Miller Thomson LLP, or by telephone conference call.
11. **Quorum:** While it is encouraged that all Members participate in meetings, a meeting may be held without all of the Members present provided that at least three (3) Members are present in person or by telephone.
12. **Minutes:** Representative Counsel shall act as secretary of the meetings of the Official Committee and shall keep minutes of the meetings. Where issues of disagreement among Members arise, the minutes will reflect such disagreements. Such minutes shall be confidential and shared with Members only. Minutes are for administrative record keeping purposes only and are not intended to be binding or conclusive in any way. The minutes will record attendance, significant issues discussed and the results of votes taken by the Official Committee.
13. **Additional Rules and Guidelines:** Representative Counsel may adopt in its sole discretion, such reasonable procedural rules and guidelines regarding the governing of Official Committee meetings. Notwithstanding any provision in this Protocol and subject to the terms of the Order, Representative Counsel may, in its sole discretion, apply to

the Court for advice and direction on any matter, including, without limitation, with respect to instruction received from the Official Committee.

HI-RISE CAPITAL LTD.
Applicant

SUPERINTENDENT OF FINANCIAL SERVICES et. al.
Respondents

Court File No. CV-19-616261-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT
TORONTO

ORDER

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Lawyers for the Applicant, Hi-Rise Capital Ltd.



HI-RISE CAPITAL LTD.

Hi-Rise Capital Limited

Voting Ballot

(referred to as the form of proxy in the Information Statement)

Investor Meeting

September 25, 2019 at 1:00 PM (EST)

InterContinental Toronto Centre

225 Front Street West, Toronto, ON M5V 2X3

CONTROL NUMBER:

SEQUENCE #:

FILING DEADLINE FOR PROXY: September 23, 2019 at 1:00 PM (EST)

VOTING METHOD	
INTERNET	Go to www.voteproxyonline.com and enter the 12 digit control number above
FACSIMILE	416-595-9593
MAIL or HAND DELIVERY	TSX Trust Company 301 - 100 Adelaide Street West Toronto, Ontario, M5H 4H1

The undersigned hereby appoints **Noor Al-Awqati** of the Company, failing whom **Brinn Norman** of the Company (the "Management Nominees"), or instead of any of them, the following Appointee

Please print appointee name

as proxyholder on behalf of the undersigned with the power of substitution to attend, act and vote for and on behalf of the undersigned in respect of the resolution contained herein at the Meeting and at any adjournment(s) or postponement(s) thereof, to the same extent and with the same power as if the undersigned were personally present at the said Meeting or such adjournment(s) or postponement(s) thereof in accordance with voting instructions, if any, provided below.

- SEE VOTING GUIDELINES ON REVERSE -

RESOLUTIONS - MANAGEMENT VOTING RECOMMENDATIONS ARE INDICATED BY **HIGHLIGHTED** TEXT ABOVE THE BOXES

1. Proposed Transaction

FOR or AGAINST a special resolution approving the proposed settlement described in the Company's Information Statement dated September 5, 2019

FOR

AGAINST

☐☐

PLEASE PRINT NAME

This proxy revokes and supersedes all earlier dated proxies and **MUST BE SIGNED**

Signed (or authorized person)

Date (MM/DD/YYYY)

Proxy Voting – Guidelines and Conditions

1. THIS PROXY SHOULD BE READ IN CONJUNCTION WITH THE MEETING MATERIALS PRIOR TO VOTING.
2. If you appoint the Management Nominees, they will vote in accordance with your instructions or, if no instructions are given, the proxy will be considered "spoiled" and will not be voted. If you appoint someone else, they will also vote in accordance with your instructions or, if no instructions are given, as they in their discretion choose.
3. Each Investor has the right to appoint a person other than the Management Nominees specified herein to represent them at the Meeting or any adjournment or postponement thereof. Such right may be exercised by inserting in the space labeled "*Please print appointee name*", the name of the person to be appointed, who need not be an Investor.
4. To be valid, this proxy must be signed. Please date the proxy. If the proxy is not dated, it is deemed to bear the date of its mailing to the Investors.
5. To be valid, this proxy must be filed using one of the **Voting Methods** and *must be received by TSX Trust Company* before the **Filing Deadline for Proxies**, noted on the reverse or in the case of any adjournment or postponement of the Meeting not less than 48 hours (Saturdays, Sundays and holidays excepted) before the time of the adjourned or postponed meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.
6. If the Investor is a corporation, the proxy must be executed by an officer or attorney thereof duly authorized, and the security holder may be required to provide documentation evidencing the signatory's power to sign the proxy.
7. Guidelines for proper execution of the proxy are available at www.stac.ca. Please refer to the Proxy Protocol.

APPENDIX "D"

Projected Investor Recoveries from the Proposed Settlement

Illustrative Estimate of Proceeds ('000s) Expected timeline	First Mortgage December 2019	VTB Mortgage December 2021	Debenture December 2025	Total	Per GT Report
Proceeds					
Senior Mortgage	36,575			36,575	36,575
VTB Mortgage - Principal		18,270		18,270	18,270
VTB Mortgage	1,850			1,850	1,850
Debenture			15,000	15,000	8,000
Total Proceeds	38,425	18,270	15,000	71,695	64,695
First Mortgage					
Meridian Balance Owning as at June 14, 2019	(16,620)			(16,620)	(16,620)
Meridian Accrued Interest	(598)			(598)	(332)
Proceeds Available After Meridian Mortgage	21,207	18,270	15,000	54,477	47,743
Priority Amounts					
BMO Sale Fee	(1,615)			(1,615)	(1,615)
City of Toronto (outstanding taxes)	(343)			(343)	(280)
Proceeds Available After Priority Amounts	19,250	18,270	15,000	52,520	45,848
Legal & Advisor Fees					
Cassels Brock & Blackwell LLP	(160)			(160)	(160)
Stikeman Elliott LLP	(250)			(250)	(250)
McCarthy Tetrault LLP	(300)			(300)	(300)
Miller Thomson LLP	(400)			(400)	(350)
Due to Consultants	(4)			(4)	(4)
263 Holdings Inc. Costs	(1,000)			(1,000)	(1,000)
Information Officer	(100)			(100)	-
Proceeds Available After Legal & Advisor Fees	17,036	18,270	15,000	50,306	43,784
Total Proceeds Available for Investors					
Proceeds for Registered Investors (\$)	17,036	5,280	-	22,316	22,171
Proceeds for Non-Registered Investors (\$)	-	12,990	15,000	27,990	21,613
<i>Recovery for Registered Investors (%)</i>	<i>76%</i>	<i>24%</i>	<i>0%</i>	<i>100%</i>	<i>100%</i>
<i>Recovery for Non-Registered Investors (%)</i>	<i>0%</i>	<i>28%</i>	<i>32%</i>	<i>60%</i>	<i>47%</i>

APPENDIX "E"

Information Officer's Truncated Receivership Scenarios

Truncated Receivership Scenario ('000s)			
	Notes	Low	High
<i>Months</i>		4	4
Estimated Sale Price	1	71,170	76,071
Less:			
Zoning	2	-	-
Sale Fee	3	(1,276)	(1,472)
Property Taxes	4	(351)	(351)
Meridian Mortgage as at June 14, 2019	5	(16,620)	(16,620)
Meridian Mortgage Carrying Costs	6	(623)	(623)
Operating Costs net of Rent Received	7	(441)	(441)
Legal Fees of Appointing Creditor	8	(100)	(100)
Receiver's Fees	8	(435)	(435)
Receiver's Legal Fees	8	(230)	(230)
Miller Thomson LLP	9	(400)	(400)
Information Officer	10	(100)	(100)
Inventory Recovery (without Potential Priority Costs)		50,595	55,300
Priorities Asserted by Hi-Rise			
Professional Fees & Consultants	11	(2,954)	(2,954)
Wages, Benefits & Office Expenses	8	(1,750)	(1,750)
Inventory Recovery (with Potential Priority Costs)		45,891	50,595

Summary of Notes & Key Assumptions

- The purchase prices included in the Truncated Receivership summary, are based on: (a) in the Low purchase price scenario, an estimated purchase price that would be required for Non-Registered Investors to receive the same (or similar) nominal recovery as they would in the Proposed Settlement, assuming Hi-Rise does not assert, or is not successful in asserting, the Hi-Rise Potential Priority Costs (\$4.7 million); and (b) in the High purchase price scenario, an estimated purchase price that would be required for Non-Registered Investors to receive the same (or similar) nominal recovery as they would in the Proposed Settlement, assuming Hi-Rise is successful in asserting the Hi-Rise Potential Priority Costs (\$4.7 million).
- The Information Officer has assumed that no zoning-related expenses will be paid in a Truncated Receivership.
- Estimated based on the existing Sale Fee arrangement with BMO. Does not include HST as the Information Officer is of the view that HST is recoverable.
- Per Hi-Rise, there is an outstanding balance of approximately \$334,240 in property taxes for the Property as at October 1, 2019. This amount includes the outstanding balance as at October 1, 2019 plus four months of accrued interest.
- Per the Meridian demand letter dated June 14, 2019.
- This amount is estimated based on the accrual of interest and other related expenses totaling approximately \$83,000 per month on the Meridian Mortgage from June 14, 2019 to the end of the receivership.
- Operating Costs included herein are based on the costs included in the GT Report labelled "Hi-Rise/Consultants" net of a provision of rent revenue forecast during the Truncated Receivership period.

8. Costs used herein are based on those included in the GT Report, some of which are reduced to reflect the shorter time period during the Truncated Receivership.
9. Per Court Order (Increase of Representative Counsel Charge) dated September 17, 2019.
10. Per Court Order (Appointment of Information Officer) dated September 17, 2019.
11. Estimate per GT Report less Representative Counsel's (Miller Thomson LLP) legal fees which form a priority charge on the Property and are included above in the Miller Thomson LLP line.

HI-RISE CAPITAL LTD.

- and -

SUPERINTENDENT OF FINANCIAL SERVICES *et al.*

Applicant

Respondents

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

PROCEEDING COMMENCED AT TORONTO

REPORT OF THE INFORMATION OFFICER

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*Lawyers for Alvarez & Marsal Canada Inc., in its
capacity as Information Officer*

Tab B

This is Exhibit "B" referred to in the Affidavit of Bernhard Huber sworn October 30, 2019.



Commissioner for Taking Affidavits (or as may be)

Allison Eluned Van Rooljen, a Commissioner,
etc., Province of Ontario, for
Meridian Credit Union Limited, Motus Bank
and Meridian OneCap Credit Corporation.
Expires May 8, 2021.

Court File No.: CV-19-616261-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF SECTION 60 OF THE TRUSTEE ACT, R.S.O. 1990, C. T.23, AS
AMENDED, AND RULE 10 OF THE ONTARIO RULES OF CIVIL PROCEDURE,
R.R.O. 1990, REG. 194, AS AMENDED**

**AND IN THE MATTER OF HI-RISE CAPITAL LTD. AND IN THE MATTER OF
ADELAIDE STREET LOFTS INC.**

**THIRD REPORT OF MILLER THOMSON LLP, IN ITS CAPACITY
AS COURT-APPOINTED REPRESENTATIVE COUNSEL**

October 18, 2019

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Court-appointed Information Officer

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF SECTION 60 OF THE TRUSTEE ACT, R.S.O. 1990, C. T.23, AS
AMENDED, AND RULE 10 OF THE ONTARIO RULES OF CIVIL PROCEDURE,
R.R.O. 1990, REG. 194, AS AMENDED**

**AND IN THE MATTER OF HI-RISE CAPITAL LTD. AND IN THE MATTER OF
ADELAIDE STREET LOFTS INC.**

**THIRD REPORT OF MILLER THOMSON LLP, IN ITS CAPACITY
AS COURT-APPOINTED REPRESENTATIVE COUNSEL**

1. 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 “**Appointment Order**”), Miller Thomson LLP was appointed as Representative Counsel (in such capacity, “**Representative Counsel**”) appointed pursuant to the Order of the Honourable Mr. Justice Hainey dated March 21, 2019 (the “**Appointment Order**”) to represent the interests of all individuals and/or entities (the “**Investors**”, which term does not include persons who have opted out of such representation in accordance with the Appointment Order) that have invested funds in a syndicated mortgage (the “**Syndicated Mortgage**”) administered by Hi-Rise Capital Ltd. (“**Hi-Rise**”) in respect of the proposed development known as the “Adelaide Street Lofts” (the “**Project**”) at the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the “**Property**”). A copy of the Appointment Order is attached as **Appendix “A”**.

2. Registered title to the Property is held by Adelaide Street Lofts Inc. (“**Adelaide**”) as nominee on behalf of the beneficial owner 263 Holdings Inc. (“**Holdings**”, and together with Adelaide, the “**Company**”), in connection with the negotiation and implementation of a settlement with respect to such investments.

PURPOSE OF REPORT

3. On October 23, 2019, Hi-Rise intends to hold a meeting of Investors (the "**Meeting**") in order to, among other things, allow the Investors to vote on a proposed settlement (the "**Proposed Settlement**"). If approved by Investors and sanctioned by the Court, the Proposed Settlement would allow the Company to move forward with a joint venture transaction (the "**Lanterra Transaction**")¹ set out in a term sheet executed April 10, 2019 (the "**JV Agreement**") with Lanterra Developments Limited ("**Lanterra**") and result in the distributions contemplated in the Proposed Settlement.

4. Representative Counsel has filed this Third Report for the purpose of advising the Court and the Investors as to:

- (a) the recommendation of the Official Committee of Investors (the "**Official Committee**") regarding the Proposed Settlement; and
- (b) Representative Counsel's concerns with Hi-Rise's proposal that Investors vote in a single class.

ESTABLISHMENT OF OFFICIAL COMMITTEE

5. Pursuant to the Appointment Order, Representative Counsel was directed to establish an Official Committee in accordance with the process and procedure described in Schedule "B" attached to the Appointment Order. Pursuant to the Order of the Honourable Mr. Justice Hailey dated April 15, 2019, the Official Committee was approved and constituted (the "**Official Committee Approval Order**", a copy of which is attached as **Appendix "B"**).

APPOINTMENT OF INFORMATION OFFICER

6. Pursuant to the Order of the Honourable Mr. Justice Hailey dated September 17, 2019 (the "**IO Order**"), Alvarez & Marsal Canada Inc. was appointed as Information Officer (in such capacity, the "**Information Officer**").

7. Pursuant to the IO Order, the Information Officer was authorized and empowered to, among other things, review and report to the Court and to all stakeholders, including but not limited to the Representative Counsel, Hi-Rise, the Company, the Financial Services Regulatory Authority of Ontario and Meridian Credit Union Limited, in respect of all matters relating to the Property, Hi-Rise's mortgage over the Property, and the Company's proposed sale of the Property, including, but not limited to, the marketing and sales process undertaken in respect of the Property, all aspects of any and all proposed transactions in respect of the Property (and in this regard, the Information Officer may engage in discussions with Tricon Lifestyle Rentals Investment LP to ascertain its interest in the Property), and the financial implications of such proposed transactions (the "**Mandate**").

8. In accordance with the IO Order, on October 7, 2019, the Information Officer delivered a report in respect of its Mandate (the "**IO Report**"). For ease of reference, a copy of the IO Report is attached hereto as **Appendix "C"** (without appendices).

9. Both Representative Counsel and the Official Committee accept the facts and conclusions set out in the IO Report, and are of the view that the Information Officer fulfilled its mandate.

RECOMMENDATION OF THE OFFICIAL COMMITTEE

10. The Official Committee does not support the Proposed Settlement and is unable to recommend that Investors approve it.

11. In reaching its conclusion, the Official Committee has relied upon the IO Report as well as certain clarifications made by the Information Officer directly to the Official Committee.² In particular, the Official Committee relies upon the following statements made by the Information Officer:

- (a) Although the design and implementation of the Sale Process was consistent with industry standards and was carried out by BMO in a thorough and professional

¹ While Adelaide has refused to provide Investors with a copy of the JV Agreement, a copy was provided to the Information Officer for review and the IO Report contains a description of the relevant provisions. See IO Report at para 63.

² Paragraph 11 of this Third Report was reviewed by the Information Officer to confirm its accuracy.

manner, BMO's mandate was to maximize transaction value, not to maximize Investor recoveries. The Sale Process was not specifically designed with the goal to maximize the cash proceeds on closing but to maximize the consideration and ultimate proceeds thereof, even if portions of proceeds may be deferred until a later date.³

- (b) Significant components of the distributions to Non-Registered Investors (as defined below) contemplated under the Proposed Settlement are contingent insofar as they are dependent upon the ultimate success of the Lanterra Project.⁴ Taking this into account, the Official Committee notes that there is a high degree of risk to Investors with respect to full payment of the unsecured debenture in the amount of \$15,000,000 should the project not be successful. Only \$2,000,000 of the debenture is personally guaranteed by Jim Neilas.⁵
- (c) The Non-Registered Investors will not receive any payment on closing of the Lanterra Transaction. Non-Registered Investors will not receive any payments until December 2021 or December 2022, depending upon when the vendor takeback mortgage is repaid. The balance of payments to Non-Registered Investors is not expected to occur until December 2025.⁶
- (d) If the Project is successfully completed, the Company's undiscounted potential net proceeds are projected to equal approximately \$22.8 million arising from the Company's continued interest (*ie*, its 25% share in the joint venture) in the Property (after accounting for the \$15 million debenture). The Official Committee believes this continued interest and amount of profit to the Company are unfair to Investors who will sustain a significant shortfall.⁷ This also appears inconsistent

³ IO Report at paras 59-61, 109.

⁴ IO Report at para 103(a).

⁵ IO Report at para 73.

⁶ IO Report at para 73. Note that Schedule "A" to the Updated Information Statement dated October 9, 2019 confirms the amount to be guaranteed by Mr. Neilas.

⁷ IO Report at para 113.

with certain fundamental principles of insolvency law, including the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”), which prohibits payments to equity holders in priority to payment in full of creditor claims.⁸

12. The Official Committee recognizes the considerable uncertainty with respect to the outcome of any alternative to implementation of the Proposed Settlement, including a receivership proceeding. As noted in the IO Report, the Information Officer does not believe that there is any reasonable prospect of a sale process generating sufficient funds to repay the Investors in full.⁹ While there are indications that a superior result may be achievable through a new sale process (*eg*, the agreement of purchase and sale submitted by Tricon Lifestyle Rentals Investment LP),¹⁰ it is also possible that a sale process would result in an inferior result than the Lanterra Transaction and Proposed Settlement.¹¹

13. As such, there does appear to be some merit to the Proposed Settlement. Nevertheless, in light of the concerns referenced herein including at paragraph 11, the Official Committee is unable to support or recommend approval of the Proposed Settlement.

CONCERNS WITH SINGLE INVESTOR CLASS

14. Representative Counsel understands that all Investors will be included in a single class for the purpose of voting on the Proposed Settlement, and that approval will require Investors representing two-thirds in value and a majority in number to vote in favour of the Proposed Settlement.¹² These approval thresholds are consistent with those prescribed in the BIA.

15. As noted below, the structure of the Proposed Settlement is premised on Hi-Rise’s position that Investors who hold their beneficial interest in the Syndicated Mortgage through a

⁸ While Representative Counsel recognizes that this proceeding is not being conducted under the BIA, the adoption of certain provisions of the BIA by analogy (*ie*, the voting thresholds) makes the comparison appropriate.

⁹ At para 105.

¹⁰ IO Report at paras 87-88.

¹¹ IO Report at para 99-102. Note that the Official Committee does not accept the validity of the Potential Priority Costs set out in Note 1 of the chart at para 102.

¹² IO Report at para 73.

registered investment plan (the “**Registered Investors**”) rank in priority to Investors who hold their beneficial interest in the Syndicate Mortgage directly through Hi-Rise (the “**Non-Registered Investors**”) for principal, interest accrued to date and interest continuing to accrue. If Registered Investors do have priority over Non-Registered Investors then the Proposed Settlement will have vastly different outcomes for the two groups.

16. Consequently, Representative Counsel is of the view that it is inappropriate and unfair to Non-Registered Investors to be included in the same class as Registered Investors for the purpose of voting on the Proposed Settlement.

17. Representative Counsel recommends that Investors vote in two separate classes (*ie*, Registered Investors and Non-Registered Investors) for the purpose of voting on the Proposed Settlement, and that approval require that Investors representing two-thirds in value and a majority in number of each such class vote in favour of the Proposed Settlement.

CONCLUSION

18. As noted above, the Official Committee does not recommend that Investors vote in favour of the Proposed Settlement.

19. Both Representative Counsel and the Official Committee acknowledge that Registered Investors will likely support it as it provides for a substantial portion of their claims to be paid on closing, based on the feedback received from Non-Registered Investors it appears there is little prospect of support among members of this group. Given the proportionate weight of the group of Non-Registered Investors, a lack of support among them will likely be fatal to the prospect of the Lanterra Transaction and the Proposed Settlement.

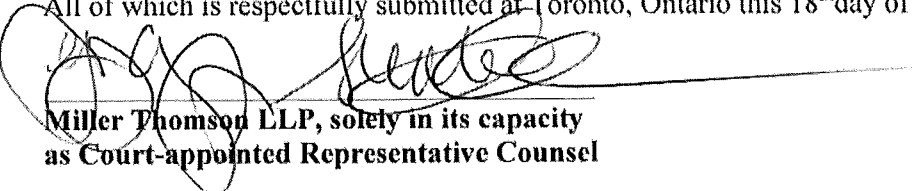
20. If Hi-Rise seeks to secure the support of Non-Registered Investors without abandoning the Lanterra Transaction, Representative Counsel recommends the following amendments to the Proposed Settlement:

- (a) Non-Registered Investors should receive a substantial portion (*eg*, 50%) of the \$15 million contemplated under the debenture at closing;

- (b) the amount of the \$15 million debenture guaranteed by Jim Neilas should be increased from \$2 million to \$5 million, and should be secured; and
- (c) a meaningful amount of the forecasted \$22.8 million net profit to the Company should be diverted to the Investors, possibly through a share of ownership in the joint venture or through a royalty arrangement.

21. While these amendments will not guarantee the support of the Official Committee or individual Non-Registered Investors, in the opinion of Representative Counsel and the Official Committee they would collectively constitute a display of goodwill toward the Investors and would address certain of the most common objections to the Proposed Settlement in its current incarnation.

All of which is respectfully submitted at Toronto, Ontario this 18th day of October, 2019.



**Miller Thomson LLP, solely in its capacity
as Court-appointed Representative Counsel**

APPENDIX A

Court File No.: CV-19-616261-00CL

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

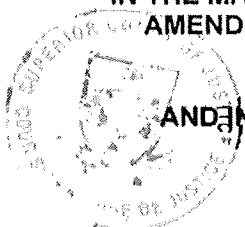
THE HONOURABLE

THURSDAY, THE 21st

MR. JUSTICE HAINEY

DAY OF MARCH, 2019

**IN THE MATTER OF SECTION 60 OF THE TRUSTEE ACT, R.S.O. 1990, C. T.23, AS
AMENDED, AND RULE 10 OF THE ONTARIO RULES OF CIVIL PROCEDURE,
R.R.O. 1990, REG. 194, AS AMENDED**



**AND IN THE MATTER OF HI-RISE CAPITAL LTD. AND IN THE MATTER OF
ADELAIDE STREET LOFTS INC.**

ORDER

THIS APPLICATION, made by the Applicant, Hi-Rise Capital Ltd. ("Hi-Rise"), for advice and directions and an Order appointing representative counsel pursuant to section 60 of the *Trustee Act*, R.S.O. 1990, c. T.23, as amended and Rule 10 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

ON READING the Application Record of the Applicant, including the Affidavit of Noor Al-Awqati sworn March 19, 2019, and on hearing the submissions of the lawyer(s) for each of the Applicant, the Superintendent of Financial Services, prospective Representative Counsel, Adelaide Street Lofts Inc. (the "**Borrower**"), Teresa Simonelli and Tony Simonelli and other investors represented by Guardian Legal Consultants (as set out on the counsel slip), Alexander Simonelli (appearing in person), Nicholas Verni (appearing in person), and Nick Tsakonacos (appearing in person) no one else appearing,

SERVICE

1. **THIS COURT ORDERS** that all parties entitled to notice of this Application have been served with the Notice of Application, and that service of the Notice of Application

is hereby abridged and validated such that this Application is properly returnable today, and further service of the Notice of Application is hereby dispensed with.

APPOINTMENT OF REPRESENTATIVE COUNSEL

2. **THIS COURT ORDERS** that Miller Thomson LLP is hereby appointed as representative counsel to represent the interests of all persons (hereafter, all persons that have not delivered an Opt-Out Notice (defined below) shall be referred to as the "Investors") that have invested funds in syndicated mortgage investments ("SMI") in respect of the proposed development known as the "Adelaide Street Lofts" (the "Project") at the property known municipally as 263 Adelaide Street West, Toronto, Ontario (the "Property").

3. **THIS COURT ORDERS** that any individual holding an SMI who does not wish to be represented by the Representative Counsel and does not wish to be bound by the actions of Representative Counsel shall notify the Representative Counsel in writing by facsimile, email to sdecaria@millerthomson.com (Attention: Stephanie De Caria), courier or delivery, substantially in the form attached as **Schedule "A"** hereto (the "**Opt-Out Notice**"), and shall thereafter not be so represented and shall not be bound by the actions of the Representative Counsel and shall represent himself or herself or be represented by any counsel that he or she may retain exclusively at his or her own expense in respect of his or her SMI (any such Investor who delivers an Opt-Out Notice in compliance with the terms of this paragraph, "**Opt-Out Investor**") and any Opt-Out Investor who wishes to receive notice of subsequent steps in this proceeding shall deliver a Notice of Appearance.

4. **THIS COURT ORDERS** that the Representative Counsel shall represent all Investors in connection with the negotiation and implementation of a settlement with respect to their investments in the SMI and the Project, and shall subject to the terms of the Official Committee Protocol be entitled to advocate, act, and negotiate on behalf of the Investors in this regard, provided that the Representative Counsel shall not be permitted to (i) bind investors to any settlement agreement or proposed distribution relating to the Property without approval by the investors and the Court; or (ii) commence or continue any proceedings against Hi Rise, its affiliates or principals, on

behalf of any of the Investors or any group of Investors, and for greater certainty, Representative Counsel's mandate shall not include initiating proceedings or providing advice with respect to the commencement of litigation but may include advising Investors with respect to the existence of alternative courses of action.

5. **THIS COURT ORDERS** that Representative Counsel be and it is hereby authorized to retain such actuarial, financial and other advisors and assistants (collectively, the "**Advisors**") as may be reasonably necessary or advisable in connection with its duties as Representative Counsel.

6. **THIS COURT ORDERS** that the Representative Counsel be and it is hereby authorized to take all steps and do all acts necessary or desirable to carry out the terms of this Order and fulfill its mandate hereunder.

TERMINATION OF EXISTING ADVISORY COMMITTEE

7. **THIS COURT ORDERS** that the Engagement Letter dated September 6, 2018, including the Terms of Reference attached as Schedule "A" thereto (the "**Engagement Letter**"), be and it is hereby terminated, provided that nothing contained herein shall terminate the requirement that outstanding fees and disbursements thereunder be paid.

8. **THIS COURT ORDERS** that the respective roles of the Advisory Committee and Communication Designate (as such terms are defined in the Engagement Letter) be and they are hereby terminated.

9. **THIS COURT ORDERS** that the Communication Designate shall forthwith provide to Representative Counsel all security credentials in respect of the Designated Email (as such term is defined in the Engagement Letter).

APPOINTMENT OF OFFICIAL COMMITTEE

10. **THIS COURT ORDERS** that Representative Counsel shall take steps to establish an Official Committee of Investors (the "**Official Committee**") substantially in accordance with the process and procedure described in the attached **Schedule "B"** ("**Official Committee Establishment Process**").

11. **THIS COURT ORDERS** that the Official Committee shall operate substantially in accordance with the protocol described in the attached **Schedule "C"** (the "**Official Committee Protocol**").

12. **THIS COURT ORDERS** that the Representative Counsel shall consult with and rely upon the advice, information, and instructions received from the Official Committee in carrying out the mandate of Representative Counsel without further communications with or instructions from the Investors, except as may be ordered otherwise by this Court.

13. **THIS COURT ORDERS** that in respect of any decision made by the Official Committee (a "**Committee Decision**"), the will of the majority of the members of the Official Committee will govern provided, however, that prior to acting upon any Committee Decision, Representative Counsel may seek advice and direction of the Court pursuant to paragraph 22 hereof.

14. **THIS COURT ORDERS** that, in circumstances where a member of the Official Committee has a conflict of interest with the interests of other investors respect to any issue being considered or decision being made by the Official Committee, such member shall recuse himself or herself from such matter and have no involvement in it.

15. **THIS COURT ORDERS** that the Representative Counsel shall not be obliged to seek or follow the instructions or directions of individual Investors but will take instruction from the Official Committee..

INVESTOR INFORMATION

16. **THIS COURT ORDERS** that Hi-Rise is hereby authorized and directed to provide to Representative Counsel the following information, documents and data (collectively, the "**Information**") in machine-readable format as soon as possible after the granting of this Order, without charge, for the purposes of enabling Representative Counsel to carry out its mandate in accordance with this Order:

- (a) the names, last known addresses and last known telephone numbers and e-mail addresses (if any) of the Investors; and
-

- (b) upon request of the Representative Counsel, such documents and data as the Representative Counsel deems necessary or desirable in order to carry out its mandate as Representative Counsel


and, in so doing, Hi-Rise is not required to obtain express consent from such Investors authorizing disclosure of the Information to the Representative Counsel and, further, in accordance with section 7(3) of the *Personal Information Protection and Electronic Documents Act*, this Order shall be sufficient to authorize the disclosure of the Information, without the knowledge or consent of the individual Investors.

FEES OF COUNSEL

which amount shall exclude disbursements incurred by Representative Counsel

17. **THIS COURT ORDERS** that the Representative Counsel shall be paid by the Borrower its reasonable fees ~~and disbursements~~ consisting of fees and disbursements from and after the date of this order incurred in its capacity as Representative Counsel ("**Post-Appointment Fees**"), up to a maximum amount of \$250,000 or as may otherwise be ordered by this Court. The Borrower shall make payment on account of the Representative Counsel's ~~fees and disbursements~~ ^{its} *Post-Appointment Fees* on a monthly basis, forthwith upon rendering its accounts to the Borrower for fulfilling its mandate in accordance with this Order, and subject to such redactions to the invoices as are necessary to maintain solicitor-client privilege between the Representative Counsel and the Official Committee and/or Investors. In the event of any disagreement with respect to such fees and disbursements, such disagreement may be remitted to this Court for determination. Representative Counsel shall also obtain approval of its fees and disbursements from the Court on notice to the Official Committee.

18. **THIS COURT ORDERS** that the Representative Counsel is hereby granted a charge (the "**Rep Counsel Charge**") on the Property, as security for the Post-Appointment Fees and that the Rep Counsel Charge shall form an unregistered charge on the Property in priority to the existing \$60 million mortgage registered in the name of Hi-Rise Capital Ltd. and Community Trust Company as Instrument Numbers AT3522463, AT3586925, AT3946856, AT4420428, AT4505545, AT4529978, AT4572550, AT4527861, and AT4664798 (the "**Hi-Rise Mortgage**"), but subordinate to the \$16,414,000 mortgage in favour of Meridian Credit Union Limited registered as

Instrument Number AT4862974 ("**Meridian Mortgage**"), and that Rep Counsel Charge will be subject to a cap of \$250,000. No person shall register or cause to be registered the Rep Counsel Charge on title to the Property. 

19. **THIS COURT ORDERS** that the motion by Representative Counsel for a charge for its fees prior to the date its appointment and by counsel for Hi-Rise seeking a charge for its fees incurred in respect of this Application both shall be heard before me on April 4, 2019.

20. **THIS COURT ORDERS** that the reasonable cost of Advisors engaged by Representative Counsel shall be paid by the Borrower. Any dispute over Advisor costs will be submitted to the Court for resolution.

21. **THIS COURT ORDERS** that the payments made by the Borrower pursuant to this Order do not and will not constitute preferences, fraudulent conveyances, transfers of undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable laws.

GENERAL

22. **THIS COURT ORDERS** that the Representative Counsel shall be at liberty, and it is hereby authorized, at any time, to apply to this Court for advice and directions in respect of its appointment or the fulfillment of its duties in carrying out the provisions of this Order or any variation of the powers and duties of the Representative Counsel, which shall be brought on notice to Hi-Rise and the Official Committee, the Financial Services Commission of Ontario ("**FSCO**") and any person who has filed a Notice of Appearance (including the Opt-Out Investors) unless this Court orders otherwise.

23. **THIS COURT ORDERS** that the Representative Counsel and the Official Committee shall have no personal liability or obligations as a result of the performance of their duties in carrying out the provisions of this Order or any subsequent Orders, save and except for liability arising out of gross negligence or wilful misconduct.

24. **THIS COURT ORDERS** that any document, notice or other communication required to be delivered to Representative Counsel under this Order shall be in writing, and will be sufficiently delivered only if delivered to

**Miller Thomson LLP, in its capacity as
Representative Counsel**
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario M5H 3S1

Facsimile: 416-595-8695
Email: sdecaria@millerthomson.com and
gazeff@millerthomson.com

- Attention: Gregory Azeff & Stephanie De Caria

25. **THIS COURT ORDERS** that the Representative Counsel shall as soon as possible establish a website and/or online portal (the "**Website**") for the dissemination of information and documents to the Investors, and shall provide notice to Investors of material developments in this Application via email where an email address is available and via regular mail where appropriate and advisable.

POWERS OF HI-RISE CAPITAL LTD.

26. **THIS COURT ORDERS** that the issue of whether Hi-Rise has the power under loan participation agreements (each, an "**LPA**") and mortgage administration agreements (each, a "**MAA**") that it entered into with investors in the Project and at law grant to a discharge of the Hi-Rise Mortgage despite the fact that the proceeds received from the disposition of a transaction relating to the Property (the "**Transaction**") may be insufficient to pay in full amounts owing under the Hi-Rise Mortgage will be determined by motion before me on April 4, 2019.

INVESTOR AND COURT APPROVAL

27. **THIS COURT ORDERS** that Hi-Rise is permitted to call, hold and conduct a meeting (the "**Meeting**") of all investors in the Project, including Opt-Out Investors, to be held at a location, date and time to be determined by Hi-Rise, in order for the investors

to consider and, if determined advisable, pass a resolution approving the Transaction and the distribution of proceeds therefrom (the "**Distribution**").

28. **THIS COURT ORDERS** that, in order to effect notice of the Meeting, Hi-Rise shall send notice of the location, date and time of the Meeting to investors at least ten days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by the method authorized by paragraph 32 of this order.

29. **THIS COURT ORDERS** that accidental failure by Hi-Rise to give notice of the Meeting to one or more of the investors, or any failure to give such notice as a result of events beyond the reasonable control of Hi-Rise, or the non-receipt of such notice shall, subject to further order of this Court, not constitute a breach of this Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure is brought to the attention of Hi-Rise, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

30. **THIS COURT ORDERS** that Hi-Rise shall permit voting at the Meeting either in person or by proxy.

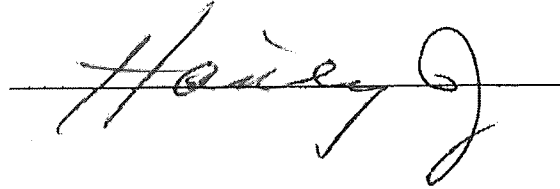
31. **THIS COURT ORDERS** that if at the Meeting a majority in number of the investors representing two-thirds in value present and voting either in person or by proxy cast votes in favour of the proposed Transaction and Distribution, Hi-Rise may proceed to bring a motion to this court, on a date to be fixed, for

- (a) final approval of the Transaction and Distribution;
- (b) further directions to pursuant to section 60 of the *Trustee Act* as are appropriate to permit it to carry out its role in a manner consistent with the LPA and MAA and its duties at law; and
- (c) approval of the conduct and fees of Representative Counsel.

NOTICE TO INVESTORS

32. Hi-Rise or Representative Counsel shall mail a copy of this Order to the last known address of each investor within 10 days of the date of this Order or where an

Investor's email address is known, the Order may instead be sent by email.
Representative Counsel shall also post a copy of this Order on the Website.

A handwritten signature in cursive script, appearing to read "Halsey J.", is written over a horizontal line.

Schedule "A"

OPT-OUT NOTICE

**Miller Thomson LLP, in its capacity as
Representative Counsel**
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario M5H 3S1

Facsimile: 416-595-8695
Email: sdecaria@millerthomson.com

Attention: Stephanie De Caria

I/we, _____, are Investor(s) in a Hi-Rise Capital Ltd. mortgage registered against titled to the property municipally known as 263 Adelaide Street West. ***[Please ensure to insert the name, names or corporate entity that appear on your investment documents].***

Under paragraph 3 of the Order of the Honourable Justice Hainey dated March 21, 2019 (the "Order"), Investors who do not wish Miller Thomson LLP to act as their representative counsel may opt out.

I/we hereby notify Miller Thomson LLP that I/we do not wish to be represented by the Representative Counsel and do not wish to be bound by the actions of Representative Counsel and will instead either represent myself or retain my own, individual counsel at my own expense, with respect to the SMI in relation to Adelaide Street Lofts Inc. and the property known municipally as 263 Adelaide St. W., Toronto, Ontario.

I also understand that if I wish to receive notice of subsequent steps in the court proceedings relating to this property, I or my counsel must serve and file a Notice of Appearance.

If the Investor(s) is an individual, please execute below:

Date

Signature

Date

Signature

If the Investor is a corporation, please execute below:

)
)
)
)
)
)
)

[insert corporation name above]

Per: _____

Name: Name

Title: Title

I/We have the authority to bind
the corporation

Schedule "B"

Official Committee Establishment Process

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 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 "**Project**") and the proposed development known as the "Adelaide Street Lofts". Pursuant to the Order, Representative Counsel was directed to appoint the Official Committee of Investors (the "**Official Committee**") in accordance with this Official Committee Establishment Process. The Official Committee is expected to consist of five Investors.

All capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Order. All references to a singular word herein shall include the plural, and all references to a plural word herein shall include the singular.

Pursuant to the Order, the Representative Counsel shall, among other things, consult with and take instructions from the Official Committee in respect of the SMI and the Project.

This protocol sets out the procedure and process for the establishment of the Official Committee.

Establishment of the Official Committee

1. As soon as reasonably practicable, Representative Counsel will deliver a communication calling for applications ("**Call for Official Committee Applications**") to Investors by mail and by email where an email address is available. Representative Counsel shall also post on the Website (as defined in the Order) a copy of the Call for Official Committee Applications.

2. The deadline to submit an application pursuant to the Call for Official Committee Applications will be 5:00 p.m. EST on ^{April 1} ~~March 29~~, 2019 (the "**Applications Deadline**"), or such later date as Representative Counsel may deem reasonably practicable. Investors wishing to act as a member of the Official Committee (each, an "**Official Committee Applicant**") shall submit their application by the Applications Deadline. Applications submitted past the Applications Deadline will not be reviewed by Representative Counsel.

3. In order to serve as a member of the Official Committee, the Official Committee Applicant must be an Investor that holds an SMI. If the SMI is held through a corporate entity, the Official Committee Applicant must be a director of the corporation in order to be a member of the Official Committee.

4. An Official Committee Applicant must not have a conflict of interest with the interests of other investors.

5. Representative Counsel will review applications submitted by the Applications Deadline and will create a short list (the "**Short List**") of no more than 20 candidates who should be extended invitations for an interview. As soon as reasonably practicable, the interviews will be conducted by teleconference by Representative Counsel (the "**Interviews**"). For consistency in evaluating each Official Committee Applicant,

(a) all of the interviews will follow the same structure and will be approximately the same length (about half an hour); and

(b) substantially similar questions will be posed to each interviewee.

6. Following the Interviews, Representative Counsel will select seven Official Committee Applicants (the "**Short List Candidates**") who, in Representative Counsel's judgment, are the best candidates to serve as either (i) a member of the Official Committee (a "**Member**") or (ii) an alternate Member should any of the Members resign or be removed from the Official Committee (an "**Alternate**"). From the Short List Candidates, Representative Counsel will select five Members and two Alternates. In determining the Short List Candidates, Representative Counsel reserves the right to consider, among other factors: (i) experience with governance or the mortgage industry; (ii) education; (iii) answers to interview questions; (iv) the amount of the Official Committee Applicant's SMI.

7. As soon as reasonably practicable, Representative Counsel will submit the Short List Candidates to the Court for approval, along with each of their applications. A summary of each Member and Alternate and their respective qualifications will also be submitted to the Court.

Schedule "C"

Official Committee Protocol

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 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 "**Project**") and the proposed development known as the "Adelaide Street Lofts".

All capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Order. All references to a singular word herein shall include the plural, and all references to a plural word herein shall include the singular.

This protocol sets out the terms governing the Official Committee established by Representative Counsel pursuant to the Official Committee Establishment Process, as approved by the Order. All Investors that have been accepted by Representative Counsel to serve as a member of the Official Committee (each, a "**Member**") shall be bound by the terms of this protocol.

This protocol is effective as at the date of the Order.

The Official Committee and Representative Counsel shall be governed by the following Official Committee Protocol:

1. **Definitions:** Capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Order.
2. **Resignations:** A Member may resign from the Official Committee at any time by notifying Representative Counsel and the other Members, by email. If a Member is incapacitated or deceased, such Member shall be deemed to have resigned from the Official Committee effective immediately.
3. **Expulsions:** Any Member may be expelled from the Official Committee for cause by Representative Counsel or by order of the Court. For greater certainty, "for cause" includes but is not limited to: (a) if a Member is unreasonably disruptive to or interferes with the ability of the Official Committee or Representative Counsel to conduct its affairs or fulfill their duties; (b) if a Member is abusive (verbal or otherwise) towards Representative Counsel or any Member; (c) if a Member fails to attend either (i) two (2) consecutive meetings without a valid reason (as determined by Representative Counsel in its sole discretion) or (ii) three (3) meetings whether or not a valid reason is provided; (d) if a Member commits any act or engages in any conduct that, in Representative Counsel's opinion, may bring the reputation or credibility of the Official Committee into dispute; (e) if in Representative Counsel's opinion, an irreconcilable conflict of interest arises between a Member and the Official Committee; or, (f) if, for any reason, a Member is unable to reasonably fulfil his/her duties as a Committee Member.

4. **Role of the Official Committee:** The role of the Official Committee is to consult with and provide instructions to Representative Counsel, in accordance with the terms of this protocol, with respect to matters related to the SMI and the Project.

5. **Multiple Views:** It is recognized and understood that Members may have divided opinions and differing recommendations, and accordingly, consensus on feedback regarding any potential resolution of matters related to the SMI and Project may not be achievable. In such circumstances, the will of the majority of the Members will govern. In making decisions and taking steps, Representative Counsel may also seek the advice and direction of the Court if necessary.

6. **Good Faith:** For the purposes of participation in the Official Committee, each Member agrees that he or she will participate in good faith, and will have appropriate regard for the legitimate interests of all Investors.

7. **No liability:** No Member shall incur any liability to any party arising solely from such Members' participation in the Official Committee or as a result of any suggestion or feedback or instructions such Member may provide to Representative Counsel.

8. **Compensation:** No Member shall receive compensation for serving as a Member of the Consecutive Committee.

9. **Chair:** Representative Counsel shall be the chair of the meetings of the Official Committee.

10. **Calling Meetings:** Representative Counsel, at the request of a Member or at its own instance, may call meetings of the Official Committee on reasonable advance written notice to the Members, which notice shall be made by e-mail. Meetings may be convened in person, at the offices of Miller Thomson LLP, or by telephone conference call.

11. **Quorum:** While it is encouraged that all Members participate in meetings, a meeting may be held without all of the Members present provided that at least three (3) Members are present in person or by telephone.

12. **Minutes:** Representative Counsel shall act as secretary of the meetings of the Official Committee and shall keep minutes of the meetings. Where issues of disagreement among Members arise, the minutes will reflect such disagreements. Such minutes shall be confidential and shared with Members only. Minutes are for administrative record keeping purposes only and are not intended to be binding or conclusive in any way. The minutes will record attendance, significant issues discussed and the results of votes taken by the Official Committee.

13. **Additional Rules and Guidelines:** Representative Counsel may adopt in its sole discretion, such reasonable procedural rules and guidelines regarding the governing of Official Committee meetings. Notwithstanding any provision in this Protocol and subject to the terms of the Order, Representative Counsel may, in its sole discretion, apply to

the Court for advice and direction on any matter, including, without limitation, with respect to instruction received from the Official Committee.

HI-RISE CAPITAL LTD.
Applicant

SUPERINTENDENT OF FINANCIAL SERVICES *et. al.*
Respondents

Court File No. CV-19-616261-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**PROCEEDING COMMENCED AT
TORONTO**

ORDER

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

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Fax: 416.640.3057
jbirch@casselsbrock.com

Stephanie Voudouris LSO #: 65752M
Tel: 416.860.6617
Fax: 416.642.7145
svoudouris@casselsbrock.com

Lawyers for the Applicant, Hi-Rise Capital Ltd.

APPENDIX B

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.

)

MONDAY THE 15th

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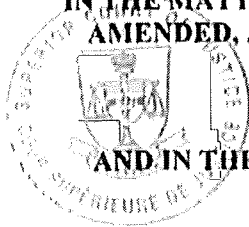
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JUSTICE HAINEY

)

DAY OF APRIL, 2019

**IN THE MATTER OF SECTION 60 OF THE TRUSTEE ACT, R.S.O. 1990, C. T.23, AS
AMENDED, AND RULE 10 OF THE ONTARIO RULES OF CIVIL PROCEDURE,
R.R.O. 1990, REG. 194, AS AMENDED**



**AND IN THE MATTER OF HI-RISE CAPITAL LTD. AND IN THE MATTER OF
ADELAIDE STREET LOFTS INC.**

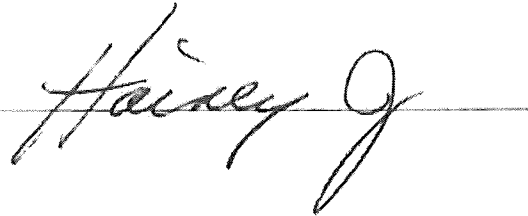
ORDER

THIS MOTION, made by Miller Thomson LLP, in its capacity Court-appointed Representative Counsel in this proceeding (in such capacity, "**Representative Counsel**"), was heard this day at the Court House, 330 University Avenue, Toronto, Ontario,

ON READING the Notice of Motion and the First Report of Representative Counsel dated April 9, 2019 (the "**First Report**"), and on hearing the submissions of Representative Counsel and such other counsel as were present as indicated on the Counsel Slip, no one appearing for any other person on the Service List, although properly served as it appears from the Affidavit of Shallon Garrafa sworn April 10, 2019, filed,

1. **THIS COURT ORDERS** that the time and method for service of the Notice of Motion and Motion Record is hereby abridged and validated, such that this Motion is properly returnable today, and further service of the Notice of Motion and the Motion Record is hereby dispensed with.
2. **THIS COURT ORDERS** that the activities and conduct of Representative Counsel, as disclosed in the First Report, be and are hereby approved.

3. **THIS COURT ORDERS** that the Official Committee (as defined in the First Report) be and is hereby constituted.
4. **THIS COURT ORDERS** that the Short List Candidates (as defined in the First Report) in respect of the Official Committee, be and are hereby approved.
5. **THIS COURT ORDERS** that the Official Committee members shall not disclose any information or communication that Representative Counsel advises is confidential or privileged.
6. **THIS COURT ORDERS** that the Official Committee members shall be required to advise Representative Counsel forthwith of any communication he or she receives from Investors (as defined in the First Report) or any other persons.
7. **THIS COURT ORDERS** that Confidential Appendix "I" to the First Report, be and is hereby sealed, pending further Order of the Court.



ENREGISTRÉ AU BUREAU DE LA TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO
APR 15 2019

PER / PAR 

HI-RISE CAPITAL LTD.

Applicant

and

SUPERINTENDENT OF FINANCIAL
SERVICES et. al.
Respondents

Court File No.: CV-19-616261-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER
(April 15, 2019)**

MILLER THOMSON LLP

Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Greg Azeff LSO#: 45324C

gazeff@millerthomson.com
Tel: 416.595.2660/Fax: 416.595.8695

Stephanie De Caria LSO#: 68055L

sdecaria@millerthomson.com
Tel: 416.595.2652/Fax: 416.595.8695

Court-appointed Representative Counsel

APPENDIX C

Court File No. CV-19-616261-00CL

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

**IN THE MATTER OF SECTION 60 OF THE TRUSTEE ACT, R.S.O. 1990, C. T.23, AS
AMENDED, AND RULE 10 OF THE ONTARIO RULES OF CIVIL PROCEDURE,
R.R.O. 1990, REG. 194, AS AMENDED**

**AND IN THE MATTER OF HI-RISE CAPITAL LTD. AND IN THE MATTER OF
ADELAIDE STREET LOFTS INC.**

REPORT OF THE INFORMATION OFFICER

ALVAREZ & MARSAL CANADA INC.

October 7, 2019

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INTRODUCTION

1. On March 19, 2019, Hi-Rise Capital Ltd. (“**Hi-Rise**”) made an application (the “**Initial Application**”) under section 60 of the *Trustee Act*, R.S.O. 1990, c. T.23, as amended and Rule 10 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, and on March 21, 2019, an initial order (the “**Initial Order**”), was granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) which, among other things:
 - (a) appointed Miller Thomson LLP as representative counsel (“**Representative Counsel**”) to represent the interests of all individuals and/or entities (the “**Investors**”)¹ that have invested funds in a syndicated mortgage investment (the “**SMI**”) administered by Hi-Rise in respect of the proposed development located at 263 Adelaide Street West, Toronto, Ontario (the “**Property**”), whose registered title is held by Adelaide Street Lofts Inc. (“**Adelaide**”) as nominee on behalf of the beneficial owner 263 Holdings Inc. (“**Holdings**”, and together with Adelaide, the “**Company**”), in connection with the negotiation and implementation of a settlement with respect to such investments;
 - (b) permits Hi-Rise to conduct a meeting of all Investors, including opt-out investors, in order for the investors to consider and, if determined advisable, pass a resolution approving a settlement transaction that would discharge the SMI and result in the distribution of certain proceeds; and
 - (c) directed Representative Counsel to establish an Official Committee of Investors (the “**Official Committee**”).

¹ The Initial Order allows for certain investors in the SMI to opt out of representation by Representative Counsel. Throughout this Report, the term “Investors” refers to all individuals and/or entities that have invested funds in the SMI, whether or not they have opted-out of such representation.

2. On April 15, 2019, the Court granted an Order constituting the Official Committee.
3. Since its appointment, Representative Counsel has issued two reports dated April 9, 2019 (the “**First Report of Counsel**”) and September 13, 2019 (the “**Second Report of Counsel**”, and together, “**Representative Counsel’s Reports**”). Representative Counsel’s Reports and other Court-filed documents, orders and notices in these proceedings are available on Representative Counsel’s case website at: <https://www.millerthomson.com/en/hi-rise/>.
4. On September 17, 2019, this Court made an order (the “**Information Officer Appointment Order**”) which, among other things, appointed Alvarez & Marsal Canada Inc. as a Court officer to act as an information officer (the “**Information Officer**”) in respect of Hi-Rise and the Property. A copy of the Information Officer Appointment Order is attached as **Appendix “A”**.
5. The Information Officer Appointment Order, among other things, outlines the Information Officer’s role, including:
 - (a) Pursuant to paragraph 4(b), the Information Officer is empowered and authorized *“to review and report to the Court and to all stakeholders... in respect of matters relating to the Property, Hi-Rise’s mortgage over the Property, and the Company’s proposed sale of the Property, including but not limited to, the marketing and sales process undertaken in respect of the Property, all aspects of any and all proposed transactions in respect of the Property (and in this regard, the Information Officer may engage in discussions with Tricon Lifestyle Rentals Investment LP to ascertain its interest in the Property), and the financial implications of such proposed transaction (the “Mandate”); and*

- (b) Pursuant to paragraph 9, *"on or before October 7, 2019, the Information Officer shall file a report with the Court in respect of the Mandate, including in particular whether sufficient effort has been made to obtain the best price in respect of the Company's proposed sale of the Property, that the proposed sale is not improvident, and in respect of the efficacy and integrity of the process by which offers had been obtained."*

TERMS OF REFERENCE AND DISCLAIMER

6. In preparing this report (the "**Report**"), the Information Officer has relied solely on the information and documents provided by Representative Counsel, Hi-Rise, its counsel Cassels Brock & Blackwell LLP ("**Cassels**"), and its financial advisor, Grant Thornton Limited ("**GT**"), the Company and its counsel McCarthy Tétrault LLP ("**McCarthy**"), the Company's real estate broker, Bank of Montreal Capital Markets Real Estate Inc. ("**BMO**"), and discussions held with parties who participated in the marketing and sale process (collectively, the "**Information**").
7. The Information Officer has reviewed the Information for reasonableness, consistency and use in the context in which it was provided. However, the Information Officer has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook (the "**Handbook**"), and accordingly, the Information Officer expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.

8. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Handbook, has not been performed.
9. Future-oriented financial information referred to in this Report was prepared based on estimates and assumptions made by Hi-Rise, the Company or as otherwise indicated herein. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, and the variations could be significant.
10. This Report should be read in conjunction with the Initial Application, the Information Officer Appointment Order and Representative Counsel's Reports.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

PURPOSE OF REPORT

12. The Information Officer understands that on October 23, 2019, pursuant to the Initial Order, Hi-Rise intends to hold a meeting of Investors (the "**Meeting**") in order to, among other things, allow the Investors to vote on a proposed settlement (the "**Proposed Settlement**"), which, if approved, would ultimately discharge the SMI in place, allow the Company to move forward with closing the Lanterra Transaction (as defined and described below) and result in the distributions contemplated in the Proposed Settlement.
13. As described later in this Report, the distributions contemplated in the Proposed Settlement will not be sufficient to fully repay the amounts owing to all Investors.
14. The Information Officer understands that if the Investors vote to approve the Proposed Settlement, Hi-Rise will bring a motion before this Court seeking approval of the Proposed

Settlement, however if Investors do not vote to approve the Proposed Settlement an alternate path forward will need to be pursued.

15. In performing its duties under the Mandate, the Information Officer has undertaken an extensive review of the following:
 - (a) the events prior to and following the date of the Initial Application that resulted in the Lanterra Transaction and the Proposed Settlement;
 - (b) the design, implementation and results of the Sale Process (as defined below) and whether sufficient effort was made to obtain the best price under the circumstances;
 - (c) the Lanterra Transaction and the Proposed Settlement, including financial and other implications to Investors; and
 - (d) potential alternatives that may be available to Investors, including, as requested by the Court, an evaluation of Tricon Lifestyle Rentals Investment LP's ("**Tricon**") interest in the Property.
16. Pursuant to the Mandate, the Information Officer held a number of diligence meetings with and reviewed extensive Information received from:
 - (a) Representative Counsel and the Official Committee;
 - (b) the Company, its principal Mr. Jim Neilas and McCarthy;
 - (c) BMO (the Company's real estate broker);
 - (d) Hi-Rise and Cassels; and
 - (e) Lanterra Developments Inc., Tricon and certain other parties that expressed an interest in or were otherwise involved in the Sale Process (the "**Interested Parties**").

17. The Information Officer's conclusions and other findings are outlined in the last section of this Report.

THE INFORMATION OFFICER'S REVIEW

Case Background

18. The affidavit of Noor Al-Awqati (sworn March 19, 2019 and found at Tab 2 of the Initial Application Record) (the "**Al-Awqati Affidavit**") sets out the history of the Company and the Property, including Hi-Rise's involvement as administrator and trustee of the SMI, which is summarized below:
- (a) the Company purchased the Property in June of 2011 for the purpose of developing a high-rise condominium;
 - (b) Jim Neilas is the President and majority shareholder of Holdings, the parent company of Adelaide;
 - (c) Meridian Credit Union Limited ("**Meridian**") holds a first mortgage in respect of the Property and has registered a charge in that regard (the "**Meridian Mortgage**"). As of the date of this Report, Meridian is owed approximately \$17.0 million, including principal and accrued interest; and
 - (d) the SMI is a second mortgage in respect of the Property and Hi-Rise has registered charges in that regard. As of the date of this Report, the debt owing under the SMI is approximately \$67.9 million, including principal and accrued interest. As such, there is approximately \$84.9 million in outstanding secured debt on the Property².

² Materials provided to the Information Officer indicate that Meridian has a first mortgage on the Property and the SMI ranks subordinate to Meridian. Neither the Information Officer nor its counsel have conducted a security review.

19. Following its acquisition of the Property, the Company took steps to advance the development prospects of the Property, including engaging various professionals and submitting zoning, development and building applications. During this time, and prior to the commencement of the formal marketing and sale process described below, the Information Officer understands that the Company explored and pursued various strategic alternatives in an attempt to test the market and potentially divest all or part of the Property. During this period however, a formal marketing process was never initiated and no executable sale transaction materialized.
20. As described in the Al-Awqati Affidavit, following the events in 2017 referred to as the syndicated mortgage “freeze”, Hi-Rise began working with its borrowers in order to commence a voluntary wind-up of its syndicated mortgages portfolio and instructed a number of its borrowers to commence marketing and sale processes to divest the properties to which it was lending. In this regard, the Company commenced a marketing and sale process for the Property.
21. Due to the impact of the syndicated mortgage freeze, Hi-Rise stopped making cash interest payments to Investors in relation to the Property in April of 2017 and stopped raising new funds from Investors in October of 2017.

BMO's Engagement by the Company

22. The Information Officer understands that the Company considered a small group of reputable parties to act as its broker and conduct a marketing and sale process on its behalf. This group was narrowed down and the Company requested proposals from two brokers, BMO and CBRE Limited. The Company interviewed the two parties and ultimately selected BMO to act as its broker in June of 2017.

23. Pursuant to its engagement letter, BMO's compensation for undertaking the marketing and sales process would be a contingency fee based on gross sales price, including increased compensation for a sale price exceeding certain thresholds.
24. BMO's mandate was to assist in the design and implementation of a marketing and sale process for the Property, including:
- (a) assisting in the development of an investment summary, confidential information memorandum ("CIM"), an electronic data room and other diligence materials;
 - (b) compiling a list of potentially interested parties, communicating with such parties in respect of the opportunity and making itself available to answer questions and address diligence requests; and
 - (c) negotiating with interested parties during the process in order to maximize the purchase price of potential offers. The Information Officer notes that the maximum purchase price is not necessarily the same as the maximum cash consideration available on closing³.
25. Based on discussions with BMO and a review of the information provided, the Information Officer understands the marketing and sale process followed BMO's standard two phased process:
- (a) during the first phase ("Phase 1"), potentially interested parties are contacted to solicit interest, an investment summary is provided and parties that sign a non-disclosure agreement ("NDA") are invited to undertake due diligence and submit a letter of interest ("LOI"). These Phase 1 LOIs are evaluated to determine which

³ The Information Officer understands that as a result of increased land values and construction costs, it is now more common for real estate transactions especially in downtown Toronto to include joint venture and/or vendor takeback structures which allow for higher purchase prices but lower cash consideration on closing.

parties, if any, would be invited to participate in a second phase (the “**Qualified Parties**”); and

- (b) during the second phase (“**Phase 2**”), Qualified Parties are given additional time to perform due diligence and are encouraged to enhance their purchase price and limit conditions. Qualified Parties are provided a standard form of agreement of purchase and sale (“**APS**”) and are requested to submit final bids by marking-up and submitting an APS by the bid deadline.

- 26. The Information Officer is of the view that: (a) BMO is an experienced and qualified broker and advisor capable of running a robust and competitive marketing and sale process; (b) BMO’s engagement letter is consistent with industry standards and provided appropriate incentive to achieve the maximum sale price possible in the circumstances; and (c) the marketing and sale process was of a typical structure and consistent with similar real estate processes designed to achieve the maximum sale price possible in the circumstances.

The 2017 Sale Process

- 27. BMO commenced its first marketing and sale process in June of 2017 (the “**2017 Sale Process**”). The 2017 Sale Process was a combined process for the Property (i.e. 263 Adelaide Street West) and a second parcel of real estate located at 40 Widmer Street in Toronto (“**Widmer**”)⁴. Interested Parties were advised that they could bid on both properties together or each individually.
- 28. The Information Officer understands that BMO contacted over 2,500 parties to solicit interest in the 2017 Sale Process. BMO received 47 executed NDAs of which ten parties

⁴ Widmer is located in close proximity to the Property and was previously owned by an entity ultimately controlled by Jim Neillas.

submitted LOIs on or before the Phase 1 bid deadline of September 7, 2017. Of this group, seven bidders submitted an LOI for both the Property and Widmer (the “**Joint Offer LOIs**”) and three bidders submitted an LOI for Widmer only. No bidder submitted an LOI for the Property only.

29. The consideration outlined in the seven Joint Offer LOIs received for the Property ranged in value from \$43.7 million to \$80.0 million. The Information Officer understands that 2017 Phase 1 bids were presented to the Company on a “no-names” basis in order to preserve the integrity and competitive nature of the 2017 Sale Process.
30. BMO invited five of the ten bidders to participate in Phase 2 as Qualified Parties. The Information Officer understands the five Qualified Parties were selected based on the quantum of their purchase price and the quality of the diligence they had performed. Of the five Qualified Parties, two parties had interest in Widmer only, leaving three Qualified Parties with interest in the Property. The range in values offered by such parties in respect of the Property was \$59.4 million to \$80.0 million.
31. The five remaining Qualified Parties (including the three with interest in the Property) were requested to submit final bids by the Phase 2 bid deadline of September 19, 2017 in the form of a marked-up APS.
32. Of the three Qualified Parties which submitted Joint Offer LOIs: (a) one party, Concord Adex Buildings Limited (“**Concord**”), submitted a formal bid in the form of a marked-up APS; (b) a second party expressed its bid verbally to BMO; and (c) the third party declined to submit a bid.

33. Concord was the leading Qualified Party in respect of both the Property and Widmer and was granted a period of exclusivity to complete its diligence and execute an APS on each of the properties.
34. The Information Officer understands that during its due diligence period, Concord communicated to BMO that primarily due to a number of construction challenges relating to the Property it would not proceed with its contemplated transaction⁵.
35. Concord completed its diligence and the closing of its purchase transaction in respect of Widmer occurred in December of 2017.
36. The construction challenges identified by Concord, as well as the other Interested Parties participating in the 2017 Sale Process, included, but were not limited to, the following:
- (a) *Heritage Wall*: The north-façade of the Property (the “**Heritage Wall**”) has been designated by the City of Toronto (the “**City**”) as a “heritage site” and may not be removed, demolished, or altered without approval from the City;
 - (b) *Site Issues*: The Property is situated on a site that is currently land-locked by surrounding properties, including sites currently under construction, with the only access available on Adelaide Street. Adelaide Street is a one-way street that is heavily trafficked by pedestrians, cyclists and vehicles. Access to the Property is also located directly across from a fire station;
 - (c) *Rental Replacement*: Prior to developing the Property, the City imposes certain conditions that must be satisfied in connection with any residential tenants currently on the site; and

⁵ As of the date of this report, the Information Officer has not been able to schedule a meeting with Concord to discuss its participation in the 2017 Sale Process.

- (d) *Easements*: The Property and surrounding area are subject to a number of easements. It is unclear whether or not such existing easements would be sufficient for construction purposes.

(collectively referred to as the “**Construction Challenges**”).

37. Based on discussions with the Interested Parties, the Information Officer understands that the Construction Challenges created a high level of uncertainty in relation to the costs and the time required to demolish and develop on the site of the Property, hindering their ability to participate in the 2017 Sale Process and/or submit a firm and executable bid for the Property.

The 2018 Sale Process

38. In an effort to address the Construction Challenges and other issues raised during the 2017 Sale Process, the Company took steps and incurred expenditures to mitigate certain issues and assist Interested Parties with diligence. These steps included:

- (a) commissioning two construction methodology reports⁶;
- (b) executing a Heritage Easement Agreement (October 16, 2017) with the City in order to allow the Heritage Wall to be altered for future development under certain conditions; and
- (c) obtaining certain additional approvals from the City related to rental replacement, community contribution (Section 37), and storm water management agreements.

⁶ The two reports include: (i) 263 Adelaide St. West Methodology Report (dated February 12, 2018) prepared by Ledcor Group (the “**Ledcor Report**”); and (ii) 263 Adelaide St Preconstruction Report No. 1 (dated June 19, 2018) prepared by EllisDon Corporation (the “**EllisDon Report**”).

39. The Company has indicated that it incurred in excess of \$2.7 million in third party costs to continue to improve the marketability of the Property, and that such costs were funded directly by Holdings. This amount excludes any costs that may be owing by Adelaide to Holdings for ongoing management fees, which are estimated by Holdings to be an additional \$2.5 million.
40. Following the steps taken above, the Company re-engaged with BMO and a second sale process was commenced in August of 2018 (the “**2018 Sale Process**” and together with the 2017 Sale Process, the “**Sale Process**”).
41. The Information Officer understands that BMO contacted over 2,500 parties to solicit interest in the 2018 Sale Process. BMO received 37 executed NDAs of which, four bidders submitted LOIs on or before the 2018 Phase 1 bid deadline of September 18, 2018.
42. The 2018 Phase 1 LOIs ranged in value from \$59.1 million to \$75.0 million. The Information Officer understands that the 2018 Phase 1 bids were presented to the Company on a “no-names” basis in order to preserve the integrity and competitive nature of the Sale Process.
43. The Information Officer reviewed each of the LOIs and noted that each were subject to various diligence and other closing conditions, including further construction and development related investigations, satisfaction with the viability, feasibility and costs associated with development, satisfaction that the Property meets investment and development criteria, receiving certain approval from the City including amendments to the existing Heritage Easement Agreement, receiving a court order to extinguish/amend easements, executing construction agreements with adjacent property owners and obtaining approval from boards of directors or investment committees.

44. Two bidders were advanced by BMO to participate in Phase 2, including: (a) Lanterra Developments Limited ("**Lanterra**") which submitted an LOI valued at \$75.0 million; and (b) a second bidder (the "**Second Bidder**") which submitted an LOI valued at \$70.0 million. The Information Officer understands that Lanterra and the Second Bidder were selected based on the quantum of their purchase price and the quality of diligence performed⁷.
45. Lanterra and the Second Bidder (the "**2018 Qualified Bidders**") were each sent a process letter requesting they submit final bids by October 5, 2018 (the "**2018 Phase 2 Bid Deadline**") in the form of a marked-up APS. The Information Officer understands that neither party submitted a final offer prior to the 2018 Phase 2 Bid Deadline. Following discussions with Lanterra and the Second Bidder, BMO determined the parties were not prepared to submit definitive offers at the purchase prices offered in their LOIs due to continued concern and uncertainty with the Construction Challenges.
46. Following the 2018 Phase 2 Bid Deadline, BMO began exploring alternate transaction structures with the two bidders executable at the purchase prices offered in their LOIs. Based on these discussions, BMO determined that in order to effect a transaction while maximizing the purchase price, the 2018 Phase 2 Bid Deadline should be extended and the 2018 Qualified Bidders should be invited to submit joint venture proposals.
47. The Information Officer understands that joint venture structures typically allow for higher purchase prices for various reasons, including, without limitation, the sharing of risk and

⁷ The Information Officer notes that a third party submitted a 2018 Phase 1 bid comparable in value to that of the Second Bidder. The Information Officer understands from BMO that in its view, this party had not performed a significant amount of diligence, was not prepared to increase its purchase price and would not remove significant conditions included in its bid and accordingly was not invited to participate in Phase 2. Based on discussions with this party, the Information Officer is of the view that BMO's rationale to not advance this party to Phase 2 was reasonable in the circumstances.

the lower initial cash outlay required by the prospective purchaser, thereby increasing their rate of return.

Joint Venture Proposals

48. During October of 2018, the 2018 Qualified Bidders were invited to meetings with BMO and the Company to discuss and explore their intentions for the Property, including how they intended to deal with the Construction Challenges.
49. Following these meetings, the 2018 Qualified Bidders were requested to submit a joint venture proposal ("**JV Proposal**") that would provide for their final and best offer.
50. Lanterra submitted a JV Proposal on November 13, 2018 (the "**Lanterra JV Proposal**"). The Second Bidder submitted formal correspondence to BMO regarding continued interest in the Property but did not submit a formal JV Proposal by the requested date.
51. The Information Officer understands from BMO that after numerous meetings with the Second Bidder, it settled on a joint venture structure in a form that could be presented to the Company.
52. The Information Officer understands that two additional parties expressed interest to BMO in participating in a joint venture and submitted a JV Proposal. One of these JV Proposals was in an acceptable form, while the other was not and accordingly was not considered to be qualified.
53. In December of 2018, the three JV Proposals were presented to the Company on a "no-names" basis. Following additional meetings and review, the Information Officer understands that the Company selected the Lanterra JV Proposal based primarily on the following factors:

- (a) the Lanterra JV Proposal provided for the highest purchase price and greatest potential profit at completion of development. As noted earlier in this Report, it has become more common for downtown Toronto land transactions to include certain structures that increase purchase price but decrease cash consideration on closing. The Information Officer understands from discussions with Lanterra that its purchase price was premised on a joint venture structure as it allows for the sharing of risks and a lower initial cash investment that is needed to achieve its required rate of return;
 - (b) Lanterra had performed extensive diligence and investigation on the Property and spent considerable time and effort developing approaches to address the Construction Challenges; and
 - (c) Lanterra is a reputable developer with extensive experience building in downtown Toronto on sites that contained construction challenges similar to those at the Property.
54. Throughout January and February 2019, the Company and Lanterra worked towards settlement of the Lanterra JV Proposal. The parties reached an agreement on a letter of intent with Lanterra on February 13, 2019.
55. In March and April 2019, the Company and Lanterra continued to negotiate a term sheet which was ultimately executed on April 10, 2019 (the “**Term Sheet**”).

ASSESSMENT OF THE SALE PROCESS

56. The Information Officer reviewed the design and implementation of the Sale Process, a short list of the parties contacted⁸ and each of the bids submitted during all phases of the Sale Process. A summary of the Information Officer's conclusions is as follows:

- (a) the design of the Sale Process was typical of such marketing and sale processes in the real estate industry;
- (b) the materials utilized, including the investment summary, CIM and documents uploaded to the electronic data room were robust;
- (c) the list of potentially interested parties compiled by BMO was extensive, thorough, and provided for wide market coverage;
- (d) the Sale Process allowed interested parties adequate opportunity to conduct due diligence and the timelines provided for were reasonable;
- (e) the activities undertaken by BMO were thorough and professional, and consistent with the activities that a competent advisor or broker would be expected to undertake;
- (f) BMO was appropriately incentivized to achieve the highest value available for the Property;
- (g) the steps taken by BMO, including the selection of bidders to advance into further rounds, were consistent with the activities that other brokers or sale advisors would be expected to perform; and

⁸ The Information Officer understands BMO contacted over 2,500 parties in connection with each of the marketing and sale processes. The Information Officer determined it was not feasible to review all of the parties and instead reviewed a short list of Interested Parties.

- (h) BMO sought to maximize transaction value by adjusting the Sale Process to include joint venture proposals when no cash offers materialized.
57. To gain a better understanding of the Sale Process and results thereof, the Information Officer held a number of discussions with Interested Parties to discuss matters including, but not limited to, the following:
- (a) was there any concern or issue with respect to the Sale Process and how it was run?
 - (b) was BMO attentive and responsive in conducting the Sale Process?
 - (c) what were the primary reasons why Interested Parties did not further pursue a transaction?
58. The Information Officer's findings from discussions with the Interested Parties are summarized as follows:
- (a) no concerns were identified with respect to the Sale Process or how it was conducted;
 - (b) the Interested Parties were complimentary of the work undertaken by BMO, noted BMO was helpful and responsive in all instances and no concerns were identified with respect to their conduct;
 - (c) despite the steps taken by the Company to address the Construction Challenges, the Interested Parties raised significant concern regarding the uncertainty of the costs and timing of construction, in particular that changes may be required to the design and zoning of the Property and the uncertainty in connection with the Heritage Wall and other constructability issues with the site. Interested Parties commented that given the high level of uncertainty, initial purchase prices submitted in LOIs would need to be materially discounted or an alternate structure would be required (i.e. a

joint venture or vendor takeback structure) in order to transact at such purchase prices; and

- (d) certain Interested Parties informed the Information Officer that based on market trends at the time and comparable transactions, including Widmer, they did not participate in the Sale Process or submit formal offers because they did not wish to transact at such values.

- 59. Based on its review, the Information Officer is of the view that the Sale Process was a thorough market test, that sufficient effort had been made to obtain the best price in respect of the Property and that the process was executed with proper efficacy and integrity.
- 60. In particular, the Information Officer concludes that the design and implementation of the Sale Process was consistent with industry standards and was carried out by BMO in a thorough and professional manner.
- 61. The Information Officer notes that the Sale Process was not specifically designed with the goal to maximize the cash proceeds on closing but to maximize the consideration and ultimate proceeds thereof, even if portions of proceeds may be deferred until a later date. In that regard, the Sale Process was consistent with BMO's mandate to maximize transaction value.

LANTERRA TRANSACTION

Lanterra Offer

- 62. As previously discussed, on April 10, 2019, Lanterra and the Company entered into the Term Sheet setting out the key terms of the joint venture agreement. On June 28, 2019, following further negotiations and refinement of deal points, Lanterra and the Company

entered into a Waiver and Amending Agreement dated June 28, 2019 (the “JV Agreement” and together with the Term Sheet, the “Lanterra Transaction”).

63. The Information Officer was provided with copies of the Term Sheet, the JV Agreement and all related schedules. The Information Officer understands that the Company and Lanterra consider these documents to be confidential and has not appended them hereto but has instead included a summary of key terms:

Lanterra Transaction	
JV Transaction	<ul style="list-style-type: none"> ▪ Lanterra and the Company to form a single purpose limited partnership (“LP”) in which Lanterra would acquire an interest in 75% of the Property and the assets, books and records related to the redevelopment of the Property (the “Lanterra Project”). The Company would retain a 25% interest in the Lanterra Project; ▪ BRE Fund LP, being part of the Bank of Montreal’s private equity group, will have the option to purchase 15% of Lanterra’s interest (the “Investor Option”) in the Lanterra Project.
Transaction Value and Initial Capitalization	<ul style="list-style-type: none"> ▪ Transaction value of \$73.15 million, capitalized as follows: <ul style="list-style-type: none"> i. LP will grant a first mortgage on the Property in the amount of \$36.58 million (the “First Mortgage”); ii. The Company will be granted a vendor takeback mortgage of approximately \$18.29 million (the “VTB”); and iii. The Company will contribute equity-in-kind of approximately \$18.29 million in exchange for its 25% share of the Lanterra Project.
First Mortgage Terms	<ul style="list-style-type: none"> ▪ The LP will immediately distribute the mortgage proceeds as follows: <ul style="list-style-type: none"> i. to discharge the Meridian Mortgage; and ii. to be used as a return of capital to allow it to retire the Syndicated Mortgage.
VTB Mortgage Terms	<ul style="list-style-type: none"> ▪ Secured against title to the Property, ranking behind the First Mortgage and any surety financing. Will not be subordinate to construction financing; ▪ Expires on the earlier of (a) receipt of certain construction permits; and (b) three years from the closing date of the Lanterra Transaction; ▪ Bears interest at 5% per annum during the first two years and 8% per annum for the final year; ▪ Entirety of the VTB to be guaranteed by Lanterra; and ▪ Lanterra to repay principal and interest then due on the VTB out of Lanterra’s own resources.

Interest Reserve	▪ Lanterra will fund approximately \$1.85 million to an interest reserve account to prefund the first two years of interest obligations under the VTB.
Company's Fees	▪ The Company is entitled to the following fees: i. Development Fee: 0.25% of revenues from the Lanterra Project ⁹ ; and ii. Property Management Fee: \$5,000 per month during the term of the Lanterra Project (5-6 years).
The Company Guarantee	▪ The Company is required to jointly and severally guarantee 25% of all obligations of the LP in respect of any project debt.

64. The Information Officer understands that Lanterra has completed all diligence and provided the deposits contemplated in the Term Sheet. Closing of the Lanterra Transaction is subject to: (a) approval of the Investors (as described further below); and (b) execution of certain documents including definitive agreements governing the LP, the Investor Option, and agreements for development, construction and property management (the “**Transaction Agreements**”). The Information Officer has been provided with current drafts of the Transaction Agreements and understands they have been substantially negotiated.

65. The Information Officer notes that definitive documents related to the VTB have not yet been drafted.

The Company's Projected Returns

66. The Information Officer has been provided with a copy of a financial forecast in respect of the Lanterra Project (the “**Proforma**”), which is attached as **Appendix “B”**. The Proforma estimates the development will take up to six years and projects a total profit of

⁹ Should BRE Fund LP exercise its option, and achieve a baseline internal rate of return, the Company could be eligible for an additional Deferred Development Fee of 0.5% of Project Revenues.

approximately \$66.0 million to the LP, based on Lanterra's estimate of revenues and expenses.

67. Based on the Information Officer's review of the Proforma and the Lanterra Transaction, the Company's projected return at the completion of the Lanterra Project is estimated to be approximately \$34.8 million, comprised of:
- (a) a return of capital of approximately \$18.3 million (i.e. the Company's initial contribution for 25% interest in the LP); and
 - (b) the Company's share of the potential profit of approximately \$16.5 million (i.e. 25% of \$66.0 million).
68. In addition to the above proceeds, the Company is projected to earn approximately \$3.0 million over the term of the Project (up to 6 years) in connection with development and property management fees.
69. As described in the following section, the Information Officer understands that the Company is proposing to provide a \$15 million debenture to Investors as additional compensation in connection with the Proposed Settlement. Should the Proforma be representative of actual Lanterra Project economics, the Company's potential profit and fees, net of the obligations owing under the debenture, would equal approximately \$22.8 million, excluding any tax considerations (i.e. \$34.8 million plus \$3.0 million less \$15.0 million). The Company has indicated that the remaining share of potential profit is to compensate Holdings: (a) for time and effort to assist Lanterra in completion of the Lanterra Project; and (b) to recoup funds advanced by Holdings to Hi-Rise and Adelaide to fund both operations and additional costs incurred to improve the Property subsequent to the syndicated mortgage freeze. Should the Lanterra Project fail in its entirety, Holdings

could be liable for up to 25% of the outstanding Lanterra Project debt pursuant to certain loan guarantees.

70. Future success and profit of the Lanterra Project is dependent upon many factors, including market conditions, timing of completion and ultimate construction costs. While the development and property management fees would be earned over the life of the Lanterra Project, the return of capital and profit share would not be earned by the Company until project completion which is currently estimated at approximately five to six years. Actual results may differ significantly from that of the Proforma.
71. The Information Officer notes that the Bank of Montreal may continue to participate in the joint venture after closing through advancement of the First Mortgage and potential participation in the Investor Option. It is the understanding of the Information Officer that the First Mortgage is being arranged directly by Lanterra (with no Company involvement) and the Investor Option was negotiated at the direction of the Company after Lanterra was selected as the preferred party.
72. Based on its review of the Information and discussions with the parties noted in paragraph 16 of this Report, nothing has led the Information Officer to conclude that the Lanterra Transaction would be considered to be an improvident transaction.

PROPOSAL TO INVESTORS

73. A fundamental condition in the Lanterra Transaction is for the Company to discharge the SMI registered against title to the Property. On September 6, 2019, Hi-Rise provided an Information Statement (the “**Information Statement**”) to Investors which, among other things, calls for a meeting of Investors in order for the Investors to conduct a vote on the Proposed Settlement. The Information Officer understands the Meeting is currently

contemplated to be held on October 23, 2019. The Information Statement was attached to the Second Report of Counsel as Appendix “AA”, and has been attached to this report as **Appendix “C”**. A summary of the key financial terms is as follows:

Information Statement	
Classes of Investors	<ul style="list-style-type: none"> ▪ Two types of Investors, those who hold their beneficial interest in the Syndicated Mortgage via a registered investment plan (the “Registered Investors”) and those who hold their beneficial interest in the Syndicate Mortgage directly with Hi-Rise (the “Non-Registered Investors”). Registered Investors are provided a priority in the waterfall; and ▪ Approval will require Investors representing two thirds in value and majority in number to vote in favour of the Proposed Settlement.
Offer to Settle	<ul style="list-style-type: none"> ▪ Repayment to Investors of approximately \$17,036,000 on closing (the “Initial Settlement”); ▪ Investors to have the benefit of the VTB of \$18,270,000. The terms of the VTB are described in the overview of the Lanterra Transaction. Purchaser has agreed to provide a full corporate guarantee on the VTB¹⁰; and ▪ A debenture from Holdings in the amount of \$15,000,000 (the “Debenture”)¹¹, unsecured and non-interest bearing, payable six years from the date of closing.
Guarantees in Respect of Debenture	<ul style="list-style-type: none"> ▪ Corporate guarantee of Holdings; and ▪ Personal guarantee by Jim Neilas limited to 25% of the total debenture.
Implementation	<ul style="list-style-type: none"> ▪ October 23, 2019 – Meeting to vote on the Proposed Settlement ▪ November 2019 – Final Court Order ▪ December 2019 – Closing & Initial Repayment to Investors ▪ December 2021 or December 2022 – Repayment of VTB ▪ December 2025 (estimate) – Debenture paid

¹⁰ The Information Officer understands that specific documentation related to the structure of the VTB and the Debenture has not yet been prepared.

¹¹ The Information Statement includes an \$8,000,000 Debenture, however, the information Officer is advised by the Company that the current Proposed Settlement now contemplates a \$15,000,000 Debenture.

74. The Information Officer understands from Hi-Rise that the Registered Investors rank in priority to the Non-Registered Investors for principal, interest accrued to date and interest continuing to accrue. The Information Officer has not performed a legal review of these priorities but understands that Representative Counsel will be setting out its analysis of priorities in a report, to be filed with the Court.
75. The Information Officer understands that upon approval of the Proposed Settlement, no further interest will accrue to Investors and rights to any further interest payments, if any, are waived.
76. Based on the information contained in the Information Statement, together with additional information provided by the Company, Hi-Rise and GT, the Information Officer projected potential Investor recoveries from the Proposed Settlement, including timing of receipt of funds, which can be found in detail in **Appendix "D"** and is provided in summary form below.

Projected Return to Investors (in '000s)			
	Notes	Undiscounted	Present Value as at Dec. 2019 ⁽¹⁰⁾
<u>Proceeds from Lanterra Transaction</u>			
First Mortgage (December 2019)	1	36,575	36,575
VTB Mortgage Interest Reserve (December 2019)	2	1,850	1,850
VTB Mortgage (December 2021)	3	18,270	15,099
Proceeds from Lanterra Transaction		56,695	53,524
Less: Retirement of Meridian Mortgage	4	(17,218)	(17,218)
Less: BMO Sale Fee	5	(1,615)	(1,615)
Less: Hi-Rise Cost Recovery	6	(2,214)	(2,214)
Less: Property Taxes	7	(343)	(343)
Proceeds from Lanterra Transaction available to Investors		35,306	32,135
Add: Debenture (December 2025)	8	15,000	8,467
Total Proceeds available to Investors		50,306	40,602
<u>Proposed Distributions to Registered Investors</u>			
On Closing (December 2019)		17,036	17,036
On Repayment of VTB Mortgage (December 2021)		5,280	4,364
Total Distribution to Registered Investors		22,316	21,399
Return to Investors Excluding Interest Paid to Date	9	100%	96%
<u>Proposed Distributions to Non-Registered Investors</u>			
On Closing (December 2019)		-	-
On Repayment of VTB Mortgage (December 2021)		12,990	10,736
On Completion Date (December 2025)		15,000	8,467
Total Distribution to Non-Registered Investors		27,990	19,203
Return to Investors Excluding Interest	9	60%	41%
Total Proposed Distribution to Investors		50,306	40,602

Summary of Notes & Key Assumptions

1. The Information Officer understands that proceeds from the First Mortgage and VTB Interest Reserve will be distributed to Investors on, or shortly after, closing of the Lanterra Transaction.
2. Notwithstanding the provisions of the Term Sheet, it is anticipated that the full amount of the VTB Interest Reserve will be paid to Investors at close (December 2019).
3. Repayment of the VTB is anticipated to be after two or three years. The Information Officer understands that the VTB may be extended for a third year with Investors receiving additional cash interest at 8% of the principal amount.
4. Amounts owing in respect of the First Mortgage will be paid to Meridian on closing of the Lanterra Transaction. Hi-Rise has estimated the balance above based on accrued interest to December 11, 2019 and including a provision for legal fees.
5. The BMO Sale Fee is estimated by Hi-Rise based on the terms of the BMO engagement letter and a transaction value of \$75.0 million (transaction value of \$73.15 million plus prefunding of VTB interest of \$1.85 million). The Information Officer reviewed the calculation of this fee and notes that the balance presented above includes HST, which, if recoverable by the Company may slightly increase amounts distributed to Investors.
6. As further discussed below, the Information Officer understands that Hi-Rise asserts that pursuant to agreements with Investors, Hi-Rise has the ability to recover certain costs. The costs included above by Hi-Rise include the legal and professional fees related to this process, including Hi-Rise's counsel, the Company's counsel, Representative Counsel, the Information Officer and a provision for other consultants and costs incurred by Holdings.

7. Property taxes were estimated by Hi-Rise based on amounts outstanding as at October 1, 2019 plus two months' accrued interest on the property taxes.
 8. The Information Officer understands from the Company that the Proposed Settlement now contemplates a \$15 million Debenture that would be paid to Investors upon the completion of the Lanterra Project (i.e. approximately 6 years).
 9. Total projected return to investors are calculated as follows: (total return / (principal plus accrued interest to December 2019)). This excludes return from interest previously paid to Investors.
 10. For presentation purposes only, the Information Officer has included the present value of distributions based on the current anticipated timing of certain payments and a 10% discount factor.
77. Included in the table above, the Information Officer has estimated the present value of contemplated payments to illustrate the impact of the deferred distributions to Investors (i.e. the VTB and Debenture). The present value of deferred distributions was calculated using a discount rate of 10% which the Information Officer understands from Hi-Rise is the indicative interest rate they pay to Investors (interest rates vary depending on the time of the investment). The distributions from the repayment of the VTB are assumed to be collected two years from closing (December 2021) and the proceeds from the Debenture are assumed to be collected six years from closing (December 2025).
78. The Information Officer understands that in development of the Proposed Settlement, Hi-Rise and/or the Company is seeking reimbursement of certain costs related to the Lanterra Transaction and the Proposed Settlement (legal and other fees totaling \$1.2 million) and Holdings' own costs of \$1.0 million, for a total of \$2.2 million. While Hi-Rise/the Company have asserted that actual costs are higher than \$2.2 million, the Information Officer understands that the Company is proposing a \$2.2 million cap.
79. As further detailed in the GT Report dated August 30, 2019 (the "**GT Report**"), and confirmed through communication with Cassels, the Information Officer understands that Hi-Rise and/or the Company are taking the position that they are actually entitled to a priority of up to \$9.0 million pursuant to the participation/administration agreements with

Investors for costs incurred to enhance the value of the Property and would be seeking same in the event that the Property becomes subject to receivership proceedings (the **“Potential Priority Costs”**). The Information Officer understands that \$5.1 million of the Potential Priority Costs were incurred by Hi-Rise (the **“Hi-Rise Potential Priority Costs”**) and \$4.2 million of costs were incurred by Adelaide. Neither the Information Officer or GT have undertaken a legal review of the Potential Priority Costs. The Information Officer notes that of the \$5.1 million in Hi-Rise Potential Priority Costs, approximately \$0.4 million relate to Representative Counsel’s legal fees which form a priority charge on the Property. The Information Officer understands that litigation risk in relation to the Potential Priority Costs should be considered by the Investors in their evaluation of the Proposed Settlement.

80. The following table further summarizes the projected distributions and overall recoveries to Investors. Recoveries have been estimated based on total amounts owing to Investors, including interest and principal¹² per the books and records of Hi-Rise, including interest accrued to December 11, 2019 and are presented below on an undiscounted basis:

¹² The Information Officer understands that the recovery calculations included in the Information Statement provided to Investors are based only on principal outstanding.

Recovery Analysis (Undiscounted)		('000s)	
	Registered	Non-Registered	Total
Principal Invested	17,305	34,802	52,108
Estimated Accrued Interest as at December 2019	5,010	11,766	16,776
Total Principal and Interest Owed	22,316	46,568	68,884
On Closing (December 2019)	17,036	-	17,036
On Repayment of VTB (December 2021)	5,280	12,990	18,270
On Completion Date (December 2025)	-	15,000	15,000
Total Projected Recoveries	22,316	27,990	50,306
Total Projected Recoveries (%)	100%	60%	73%
Add: Cash Interest Received to Date	3,095	7,431	10,526
Total Projected Recoveries and Interest	25,410	35,421	60,832
Total Projected Recoveries and Interest (%)	114%	76%	88%

81. Based on the Proposed Settlement, Registered Investors are projected to receive a 100% recovery:
- (a) approximately \$17.0 million at close (December 2019) from the proceeds of the new First Mortgage and the payment of the VTB Interest Reserve; and
 - (b) approximately \$5.3 million two years from close (December 2021) from the repayment of the VTB.
82. Non-Registered Investors are projected to receive a 60% recovery:
- (a) approximately \$13.0 million two years from close (December 2021) from the repayment of the VTB; and
 - (b) approximately \$15.0 million six years from close (December 2025) from the payment of the Debenture.
83. The Information Officer notes that these recoveries have not been discounted and certain of the distributions (i.e. the Debenture) could be contingent on the success of the Lanterra Project, however the Information Officer also notes that the Debenture is to be wholly guaranteed by Holdings and 25% is guaranteed by Jim Neilas personally.

OTHER INDICATIONS OF POTENTIAL VALUE

84. The Information Officer has considered other indications of value and whether there may be viable alternatives to the Proposed Settlement, in particular the following:
- (a) the Tricon offer;
 - (b) Third Party Appraisals; and
 - (c) re-opening the marketing and sale process / Receivership.

Tricon Offer

85. The Information Officer understands that Tricon¹³ first expressed interest in the Property in or around August of 2016. The Information Officer has been provided with and reviewed email correspondence between Tricon and the Company and understands that Tricon performed diligence on the Property and several meetings between Tricon and the Company were held. Ultimately, Tricon and the Company were unable to come to any type of arrangement prior to commencement of the 2017 Sale Process.
86. The Information Officer understands that Tricon participated in the 2017 Sale Process. Tricon submitted a Phase 1 bid but due to its relative value, was not invited to participate in Phase 2. Tricon was invited by BMO to participate in the 2018 Sale Process but declined to participate.
87. As described in the Second Report of Counsel, Representative Counsel received an unsolicited expression of interest in respect of a cash purchase of the Property from Tricon. The offer was initially in the form of a non-binding letter of interest dated July 9, 2019.

¹³ Tricon is a subsidiary of the Tricon Capital Group Inc. a residential real estate company primarily focused on rental housing in North America, with approximately \$7.2 billion (C\$9.7 billion) of assets under management. Tricon invests in a portfolio of single-family rental homes, multi-family rental apartments and for-sale housing assets, and manages third-party capital in connection with its investments. More information about Tricon is available at: www.triconcapital.com.

On July 19, 2019, Tricon submitted a refined offer in the form of a marked-up APS (the “Tricon Offer”).

88. The Information Officer understands the Tricon Offer was provided to both Representative Counsel and to BMO. Key terms and components of the Tricon Offer include the following:

Tricon Offer	
Purchaser	<ul style="list-style-type: none"> Tricon Lifestyle Rentals Investment LP
Purchase Price	<ul style="list-style-type: none"> \$72.0 million; Payment of the Purchase Price: <ul style="list-style-type: none"> \$2.0 million deposit on the third business day following execution of the APS (“First Deposit”); \$3.0 million deposit on the third business day following the Due Diligence Date (“Second Deposit”); and Balance of the of the Purchase Price on the Closing Date (“Final Payment”). The First Deposit and Second Deposit shall be returned to the Purchaser if the transaction is not completed for any reason except as a result of a default of the Purchaser under the APS; The Final Payment is subject to customary real estate transaction closing adjustments.
Due Diligence Conditions	<ul style="list-style-type: none"> The Purchaser has requested a number of additional diligence materials (the “Deliveries”) from the Vendor; Following the receipt of all of the Deliveries, the Purchaser shall have 45 days to review the Deliveries and perform any additional due diligence that may be required; The APS includes the following due diligence condition for the benefit of the Purchaser: <p><i>“by the Due Diligence Date (i.e. 45 days), the Purchaser shall have examined and been satisfied, in the Purchaser’s sole, absolute and unfettered discretion, <u>which may be exercised arbitrarily for any reason or for no reason at all</u>, with the results of the its due diligence enquiries, tests and investigations in respect of the Purchase Assets, including the Purchaser’s review of the Deliveries”;</i> [emphasis added]</p>
Closing Date	<ul style="list-style-type: none"> 45 days after the Due Diligence Date. The Due Diligence Date (45 days) and the Closing Date (45 days) provide the Purchaser with 90 days to close the transaction following receipt of all of the Deliveries; Purchaser to be granted exclusivity.

89. Based on its review of the Tricon Offer, the Information Officer notes the following:
- (a) the Tricon Offer of \$72.0 million is materially higher than the \$55.9 million offer Tricon submitted during Phase 1 of the 2017 Sale Process;
 - (b) compared to the Lanterra Transaction, the Tricon Offer provides for slightly lower consideration, however would provide a better return to Investors, assuming a similar distribution waterfall as the Proposed Settlement, because greater cash distributions would take place on closing, or shortly thereafter;
 - (c) in its current form the Tricon Offer remains subject to the due diligence condition described above, as well as approval from Tricon's Board of Directors and Investment Committee;
 - (d) if the due diligence condition is not waived by Tricon, Tricon could walk from the proposed transaction and receive a full refund of the First Deposit and Second Deposit, without penalty;
 - (e) the Tricon Offer was not submitted in accordance with the Sale Process guidelines and bid deadlines; and
 - (f) if the Company was to pursue the Tricon Offer, the exclusivity requirement would require the Company to terminate the Lanterra Transaction.
90. Based on discussions with Tricon, the Information Officer understands:
- (a) Tricon has performed diligence on the Property, including prior to and during the 2017 Sale Process, and has recently updated its diligence by working with one of its trusted construction partners;

- (b) Tricon did not participate in the 2018 Sale Process primarily because it believed its proposal would not be sufficient to meet the pricing expectations set by BMO at that time¹⁴;
 - (c) by not participating in the 2018 Sale Process, Tricon did not have access to certain of the additional materials made available to Interested Parties in the electronic data room during such process;
 - (d) Tricon appears to be familiar with each of the Construction Challenges and the Construction Challenges have been considered in the Tricon Offer however Tricon noted that it would need to engage third party experts and incur additional costs during diligence; and
 - (e) Tricon explained that the increase in consideration offered compared to its offer in the 2017 Sale Process is reflective of a change in market dynamics, including increased market rents and a reduction in their cost of capital.
91. Based on discussions with BMO in connection with the Tricon Offer, the Information Officer understands:
- (a) notwithstanding BMO's efforts to solicit its participation, Tricon declined to participate in the 2018 Sale Process. However, if the Tricon Offer had been submitted in accordance with the 2018 Sale Process guidelines, it would have been explored and advanced through the process;
 - (b) BMO held discussions with Tricon to better understand the Tricon Offer. Following these discussions, BMO concluded the Tricon Offer was not executable in its current form as Tricon would not waive its conditions; and

¹⁴ BMO has indicated to the Information Officer that no prior guidance was given.

- (c) BMO acknowledged that Tricon performed extensive due diligence in the 2017 Sale Process, however indicated that, in its view Tricon did not provide a satisfactory explanation as to why their purchase price increased substantially from their original offer during Phase 1 of the 2017 Sale Process.

Third Party Appraisals

- 92. In connection with the Sale Process, the Company engaged for two real estate appraisals:
 - (a) Cushman & Wakefield ULC prepared an appraisal dated February 27, 2018 (the “**Cushman Appraisal**”). The Cushman Appraisal values the Property at \$81.8 million (approximately \$235 per buildable square foot); and
 - (b) Colliers International prepared an appraisal dated July 16, 2018 (the “**Colliers Appraisal**”). The Colliers Appraisal values the Property at \$82.1 million (also approximately \$235 per buildable square foot).
- 93. As noted in the Cushman Appraisal, one of the factors considered in its appraisal included comparable land sales in the subject market area, including five comparable sites that transacted during the period December 2017 to January 2018, ranging in value from \$49.5 million to \$300 million, or approximately \$182 to \$284 per buildable square foot (average of \$251 per buildable square foot).
- 94. The Information Officer notes that these are comparable data points, however site-specific details would cause variations in valuation and ultimately the best judge of value would be a comprehensive market test through a robust marketing and sale process.

Re-opening the Sale Process / Receivership

95. The Information Officer has considered whether reopening the sale process might reasonably be expected to generate a result that would provide greater recovery for the Investors compared to the Lanterra Offer and the Proposed Settlement.
96. As previously noted, the Information Officer is of the view that BMO's Sale Process was a thorough canvassing of the market and fairly demonstrated the market value of the Property.
97. Furthermore, the accrual of interest and other potential costs in respect of the Meridian Mortgage and the SMI will continue to deteriorate potential recoveries for the Non-Registered Investors. There is no certainty that Meridian will continue to provide a standstill and not proceed to take further actions¹⁵.
98. There is no certainty whether a new marketing and sale process may generate a purchase price in excess of the Lanterra Transaction. The Information Officer notes however that re-opening the sale process would take additional time and costs would continue to accrue during this period.
99. The Information Officer reviewed the "Receivership Scenarios" presented in the GT Report which is attached as Appendix V to the Second Report of Counsel. The Information Officer is of the view the scenarios are appropriately presented for the purpose of which they were created and has included GT's analysis in its comparison of values below. In addition to the GT Report scenarios, the Information Officer has presented an alternate receivership scenario (the "**Truncated Receivership**").

¹⁵ Should Meridian seek Court appointment of a receiver, the receiver would have a duty to all stakeholders, not just Meridian.

100. The Truncated Receivership is based on an accelerated timeline of four months, compared to nine to 15 months in the GT Report, to reflect the possibility of an expedited receivership process by relying on the Sale Process already performed by BMO. Accordingly, the costs and disbursements associated with the receivership proceedings have been adjusted downward.
101. The table below includes a summary of recoveries to Investors in the Truncated Receivership scenario in comparison to the Proposed Settlement and two scenarios as presented in the GT Report. A detailed summary of the Truncated Receivership scenario is included as **Appendix "E"**. Based on the assumptions included, the Information Officer notes the following:
- (a) if Hi-Rise is unsuccessful in asserting its claim to the Hi-Rise Potential Priority Costs in the amount of \$4.7 million¹⁶, the Property would need to be sold for approximately \$71.2 million for Investors to receive the same (or similar) nominal recovery as they would in the Proposed Settlement. Accounting for the time value of delayed payments included in the Proposed Settlement at a 10% discount rate (i.e. the VTB and the Debenture), on a present value basis, the Property would need to be sold for approximately \$62.0 million¹⁷;
 - (b) if Hi-Rise is successful in asserting its claim to the Hi-Rise Potential Priority Costs, the Property would need to be sold for approximately \$76.1 million for Non-Registered Investors to receive the same (or similar) nominal recovery as they

¹⁶ The Hi-Rise Potential Priority Costs were estimated to be \$5.1 million less Representative Counsel's legal fee priority charge of \$0.4 million. The \$5.1 million of Hi-Rise Potential Priority Costs was used to be consistent with the GT Report. However, the Information Officer understands that Hi-Rise will assert its full Potential Priority Costs.

¹⁷ Actual calculation of present value equivalents would be depended upon timing of closing of any sale transaction.

would in the Proposed Settlement. Accounting for the time value of delayed payments included in the Proposed Settlement at a 10% discount rate (i.e. the VTB and the Debenture), on a present value basis, the Property would need to be sold for approximately \$66.9 million;

- (c) proceeds realized through a receivership proceeding are likely to be distributed to Investors faster compared to the Proposed Settlement. The balances noted herein are in nominal dollars and the time value of money has not been considered; and
- (d) the Information Officer understands from Hi-Rise that in a receivership scenario, Hi-Rise and/or the Company may seek to recover all the Potential Priority Costs which, if successful, would have a material impact on distributions to Investors and further increase the selling price required to achieve the same result as the Proposed Settlement.

Comparison of Values

102. For information purposes only, the Information Officer has prepared the following table to summarize the potential values that may be available to the Investors under various alternatives.

Summary of Investor Recoveries (nominal dollars)					('000s)
	Proposed Settlement ¹	Truncated Receivership Low ²	Truncated Receivership High ²	GT Receivership Low ³	GT Receivership High ³
Estimated Sale Price	73,150	71,170	76,071	44,000	72,000
Without Hi-Rise Potential Priority Costs					
<u>Registered Investors</u>					
Investor Recovery (\$)	22,316	22,605	22,605	22,171	22,171
Investor Recovery (%)	100%	100%	100%	100%	100%
<u>Non-Registered Investors</u>					
Investor Recovery (\$)	27,990	27,990	32,694	424	28,194
Investor Recovery (%)	60%	59%	69%	1%	61%
Total Recovery	50,306	50,595	55,300	22,595	50,366
With Hi-Rise Potential Priority Costs					
<u>Registered Investors</u>					
Investor Recovery (\$)	n/a	22,605	22,605	17,541	22,171
Investor Recovery (%)	n/a	100%	100%	79%	100%
<u>Non-Registered Investors</u>					
Investor Recovery (\$)	n/a	23,286	27,990	-	23,140
Investor Recovery (%)	n/a	49%	59%	0%	50%
Total Recovery	n/a	45,891	50,595	17,541	45,311

Summary of Notes & Key Assumptions

1. Hi-Rise is only asserting certain Potential Priority Costs under the Proposed Settlement.
2. See full summary of Truncated Receivership scenario in Appendix "E".
3. Per GT Report.

103. Based on its review of the Proposed Settlement and the alternatives presented above, the Information Officer notes the following:

- (a) as detailed in this Report, the Proposed Settlement is premised on the Lanterra Transaction. While the Lanterra Transaction provides a high level of certainty in terms of purchase price, significant parts of the distributions associated with the Proposed Settlement are deferred into the future and may be subject to the ultimate success of the Lanterra Project (i.e. the Debenture);
- (b) compared to the Proposed Settlement, the alternatives each have a materially higher level of conditionality and uncertainty, all of which could significantly impact the

- quantum and timing of proceeds and there is no guarantee that an all cash offer can be obtained for the values indicated in the Truncated Receivership scenario; and
- (c) in developing the Truncated Receivership scenario, to maintain consistency with the GT Report, the Information Officer only sensitized for the Hi-Rise Potential Priority Costs. If Hi-Rise is successful in asserting the full Potential Priority Costs in priority to Investors, distributions to Investors could be materially altered. Further, if the Potential Priority Costs are litigated between Hi-Rise and the Investors, additional time and cost may be incurred impacting ultimate recovery.

CONCLUSIONS & OTHER FINDINGS

Sale Process

104. It is clear that Schedule I and institutional construction lenders are hesitant to provide construction financing in situations where syndicated mortgages are registered on title. To realize maximum value for the Property (as a development site), a sale transaction and related discharge of the SMI is required. Absent additional financing, the Property would remain an undeveloped low-rise rental property.
105. Based on the Information reviewed to date and results of the Sale Process, the Information Officer does not believe that there is any reasonable prospect of a sale process generating sufficient funds to repay both the Meridian Mortgage and the SMI.
106. After the 2017 Sale Process failed to generate any transaction in respect of the Property, the Company and BMO took positive steps and incurred considerable cost to address certain Construction Challenges.
107. The Information Officer is of the view that the Sale Process conducted was a thorough market test, that sufficient effort was made to obtain the best price in respect of the Property and that the process was executed with proper efficacy and integrity.

108. While no specific asking price was provided for the Property, the Information Officer found that certain Interested Parties were guided by recent comparable transactions, including Widmer, and considering the Construction Challenges, these market trends discouraged certain Interested Parties from participating in the Sale Process.
109. As discussed herein, no Interested Party was willing to submit an all cash offer by the applicable Sale Process bid deadlines. The Sale Process was designed and executed to maximize the ultimate proceeds from the transaction, not necessarily cash consideration on closing. In that regard, the Information Officer is of the view that the Lanterra Transaction provides for the best price in respect of the Property.

Consultations Held

110. The Information Officer held a number of meetings and requested significant information from the parties mentioned in this Report. During its review, the Information Officer found the conduct of all parties to be cooperative and supportive, was granted unfettered access to the individuals and groups it requested meetings with and was provided with requested information on a timely basis.
111. Nothing in its review of the Information provided to it and in discussions with the parties noted herein has led the Information Officer to conclude that the Lanterra Transaction would be considered to be an improvident transaction.
112. Each of the Interested Parties agreed that the Property's value is impacted by the Construction Challenges and other constructability issues which create significant uncertainty around the cost and time it may take to complete development on the site. Considering these issues, together with recent trends in the market, the Interested Parties confirmed that the best way to maximize purchase price would be through a transaction

including a joint venture and/or vendor takeback structure. The Information Officer found no indication that management of the Company influenced the creation of the joint venture structure proposed in the Lanterra Transaction.

Lanterra Transaction & Proposed Settlement

113. Based on the Information reviewed by the Information Officer, at the completion of the project, the Company's undiscounted potential proceeds, net of the \$15.0 million Debenture, are projected to equal approximately \$22.8 million. In the Information Officer's view, it is appropriate for the members of the Official Committee, and the Investors, to express concern over the Company's continued interest (i.e. its 25% share of the JV) in the Property.
114. If Investors vote to approve the Proposed Settlement, Registered Investors are projected to receive \$22.3 million (100% return) and Non-Registered Investors are projected to receive \$28.0 million (60% return), however as described previously, certain of these proceeds will only be distributed years in the future.

Alternatives

115. The Information Officer is of the view the Sale Process was a robust and thorough market test and the results thereof should be given more weight than: (a) alternate transactions that could be pursued that include a higher level of conditionality and would require time to execute; and (b) other indications of value, including the third party appraisals, which are subject to a number of conditions and restrictions.
116. The Information Officer noted that several key items in the Information Statement (and therefore the Proposed Settlement) may need to be refreshed and/or further developed. For example, the ultimate structure of the VTB and the structure and amount of the Debenture

are not accurately reflected in the Information Statement. The Information Officer recommends that, prior to any vote, an updated Information Statement be provided to the Investors.

117. If the Investors do wish to pursue an alternate transaction, based on communications reviewed by the Information Officer, it is likely that Meridian would commence enforcement proceedings resulting in a receivership. Within receivership proceedings, the Information Officer estimates that to generate a nominal return to Investors that would be the same or similar to the Proposed Transaction, the Property would need to be sold for an amount in excess of \$71.2 million, or \$76.1 million if Hi-Rise successfully asserts the \$4.7 million Hi-Rise Potential Priority Costs or approximately \$62.0 million to \$66.9 million when considering the estimated present value of distributions contained in the Proposed Settlement.
118. As requested by this Court, the Information Officer reviewed and explored the Tricon Offer. Although Tricon appears to be very familiar with the Property and its cash offer of \$72.0 million would provide a better and immediate return to Investors, the Tricon offer remains subject to an open-ended diligence condition that requires a minimum of 45 days to satisfy and has not yet been approved by its investment committee or board of directors. The Information Officer also notes that Tricon had an opportunity to participate in the 2018 Sale Process and declined to do so. The Information Officer supports BMO's assertion that maintaining the integrity of the marketing and sale process, including its timelines and bid deadlines, is of high importance, and especially so when presented with a conditional offer.

All of which is respectfully submitted this 7th day of October, 2019.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Information Officer**

Per:



Name: Stephen Ferguson
Title: Senior Vice-President

HI-RISE CAPITAL LTD.

Applicant

and

SUPERINTENDENT OF FINANCIAL
SERVICES et. al.
Respondents

Court File No.: CV-19-616261-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

**THIRD REPORT OF MILLER THOMSON LLP,
IN ITS CAPACITY AS COURT-APPOINTED
REPRESENTATIVE COUNSEL**

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Court-appointed Representative Counsel

Tab C

This is Exhibit "C" referred to in the Affidavit of Bernhard Huber sworn October 30, 2019.



Commissioner for Taking Affidavits (or as may be)

**Allison Eluned Van Rooijen, a Commissioner,
etc., Province of Ontario, for
Meridian Credit Union Limited, Motus Bank
and Meridian OneCap Credit Corporation.
Expires May 8, 2021.**



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October 21, 2019

Important Update on the Court Report of the Information Officer

Representative Counsel provides this summary at the request of Investors that attended in person at the Meeting of Investors at the offices of Miller Thomson LLP on Sunday October 20, 2019.

This summary sets out certain clarification points regarding the proposed settlement offered to Investors by Hi-Rise Capital Ltd. (the “**Proposed Settlement**”) in respect of the 263 Adelaide Street West (the “**Property**”). This summary also sets out the Official Committee’s recommendation on should vote on October 23, 2019 on the Proposed Settlement.

For the reasons set out below, the Official Committee recommends voting against the Proposed Settlement on October 23, 2019.

This summary provides a simple overview and summary only, and is not intended to be read in isolation. For full information and details, this summary should be read in conjunction with the following documents:

1. Third Report of Representative Counsel dated October 18, 2019 (the “**Third Report**”), which is posted under the ‘Documents’ section of Representative Counsel’s website; and
2. The Report of the Information Officer dated October 7, 2019, which is posted under the ‘Documents’ section of Representative Counsel’s website.

Mortgages on the Property and Priority:

1. There is a first mortgage registered on title to the Property in favour of Meridian Credit Union (the “**First Mortgage**”).
2. There is a second mortgage registered on title to the Property in favour of both Hi-Rise Capital Ltd. and Community Trust Company (originally Canadian Western Trust) (the “**Second Mortgage**”).
3. Community Trust Company’s interest in the Second Mortgage ranks ahead of Hi-Rise Capital Ltd.’s interest.
4. Investors participate through this Second Mortgage in two different ways:
 - a. Registered Investors – these are Investors that participate in the Second Mortgage through Community Trust Company and hold their investments through a registered retirement savings plan; or
 - b. Non-Registered Investors – these are Investors that participate in the in the Second Mortgage through Hi-Rise Capital Ltd.
5. The priorities in terms of any repayment are as follows:
 - a. First, Meridian Credit Union under the First Mortgage;

- b. Second, Registered Investors under Community Trust Company's interest in the Second Mortgage; and
 - c. Third, Non-Registered Investors under Hi-Rise Capital Ltd.'s interest in the Second Mortgage.
6. Please check the first page of your Loan Participation Agreement with Hi-Rise Capital Ltd. to determine whether you are a Registered Investor or Non-Registered Investor

Summary of the Lanterra Transaction

7. The Company and Lanterra Developments Limited (in Trust) or its designee ("**Lanterra**") are looking to move forward with a joint venture transaction (the "**Lanterra Transaction**") in accordance with a term sheet executed April 10, 2019 (the "**JV Agreement**").
8. The purpose of the Lanterra Transaction is to complete the development of the Property (the "**Lanterra Project**")
9. The Company and Lanterra will form a limited partnership ("**LP**") to hold their interest in the Property and the Lanterra Project, as follows:
- a. Lanterra will acquire a 75% indirect interest in the Property and Lanterra Project; and
 - b. The Company will retain a 25% equity interest in the Property and Lanterra Project.
10. The transaction value of the Lanterra Project is \$73.15 million, as follows:
- a. The LP will grant a first mortgage on the Property in the amount of \$36.8 million;
 - b. The Company will be granted a vendor take back mortgage of approximately \$18.29 million; and
 - c. The Company will contribute equity-in-kind of approximately \$18.29 million in exchange for its 25% interest
11. The development of the Property is estimated to take up to 6 years and projects a total profit of \$66 million upon completion.
12. The Company's projected return at the completion of the Lanterra Project is \$34.8 million, comprised of the following:
- a. A return of capital of approximately \$18.3 million; and
 - b. The Company's share of the potential profit of the Lanterra Project of approximately \$16.5 million (being 25% of \$66 million).
13. In addition, the Company is projected to earn approximately \$3 million over the term of the Project (up to 6 years) in connection with the development and property management fees.

Terms of the Proposed Settlement

You are being asked to vote on a Proposed Settlement regarding your investment on October 23, 2019. The Proposed Settlement arises from the above-noted Lanterra Transaction.

Non-Registered Investors and Registered Investors are to vote in the same voting class. Approval of the Proposed Settlement will require Investors representing two-third in value (i.e. value of your investment) and a majority in number to vote in favour.

If approved by the Investors and then by the Court, the Proposed Settlement will allow the Company to move forward with the Lanterra Transaction and will result in the distributions to Investors.

The terms of the Proposed Settlement and distributions are as follows:

1. Repayment to Investors of approximately \$17,036,000 on closing;
2. Investors to have the benefit of the vendor take back mortgage in the amount of \$18,270,000;
3. The Company is proposing to provide a \$15 million debenture to Investors, unsecured and non-interest bearing payable 6 years from the closing date; and
4. Jim Neilas will personally guarantee \$2 million of the \$15 million debenture.

What does this mean for Investors and the Company:

1. What does this mean if you are a Registered Investor?
 - You **will** receive payment of your principal and interest in full;
 - You will receive a majority of the repayment on closing of the Lanterra Transaction; and
 - You will receive the balance in December 2021 or 2022, depending on when the vendor take back mortgage is repaid.
2. What does this mean if you are a Non-Registered Investor?
 - You **will not** receive repayment of your principal and interest in full. The return to Investors, excluding interest, is expected to be 60% of your investment;
 - You will not receive any payment on closing of the Lanterra Transaction;
 - You will not receive any payments until December 2021 or 2022, depending on when the vendor take back mortgage is repaid; and
 - You will receive the remaining repayment if and when the Lanterra Project is complete, which is expected to be in 6 years from now.
3. What does this mean for the Company?

- The Company has a continuing interest in the Lanterra Project and the Property; and
- If the Lanterra Project is successful (after 6 years), the Company's potential profit and fees are projected to be \$22.8 million (after accounting for repayment of the \$15 million debenture).

Official Committee & Representative Counsel's Recommendation:

The Official Committee does not recommend voting in favour of the Proposed Settlement for the following reasons:

1. The sale and solicitation process for interest in the Property was designed to maximize transaction value for the Property, and **not** to maximize Investor recoveries;
2. Significant components of repayment to the Non-Registered Investors are contingent as they depend on the success of the Lanterra Project. Non-Registered Investors are not repaid in full and they do not receive any money on closing. They may start receiving payments in December 2021 or 2022, and will not receive the balance until completion of the Lanterra Project (expected to be December 2025);
3. There is a high degree of risk to Investors with respect to full repayment of \$15 million debenture should the Lanterra Project not be successful. Only 25% of it is personally guaranteed by Jim Neilas;
4. If the Lanterra Project is successful, the Company receives a potential net profit of \$22.8 million. This continued interest and amount of profit is unfair to Investors who receive a significant shortfall; and
5. As noted above, Non-Registered Investors and Registered Investors are to vote in the same voting class. Given that their investment returns and timing of those returns are different due to certain priorities (noted above), the Proposed Settlement has vastly different outcomes for each group. Accordingly, it is inappropriate and unfair to Non-Registered Investors to be included in the same voting class as Registered Investors for the purposes of voting on the Proposed Settlement.

Yours Truly,

Miller Thomson LLP,
solely in its capacity as
Representative Counsel

Tab D

This is Exhibit "D" referred to in the Affidavit of Bernhard Huber sworn October 30, 2019.



Commissioner for Taking Affidavits (or as may be)

Allison Eluned Van Rooijen, a Commissioner,
etc., Province of Ontario, for
Meridian Credit Union Limited, Motus Bank
and Meridian OneCap Credit Corporation.
Expires May 8, 2021.



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October 28, 2019

Vote Results from the Meeting called by Hi-Rise Capital Ltd. on October 23, 2019

Pursuant to the Order of the Honourable Mr. Justice Hailey 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, 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/>.

In accordance with the Order, Representative Counsel established an Official Committee of Investors (the "**Official Committee**"), with which Representative Counsel consults regularly and from which it takes instruction in respect of this matter.

Lanterra Transaction & Vote

As you know, the main holding company and owner of Adelaide entered into a joint venture agreement ("**JV Agreement**") with Lanterra Developments Limited (in trust) or its designee ("**Lanterra**") to complete the development of the Property (the "**Lanterra Transaction**"). Certain details on the Lanterra Transaction are set out in our Communication dated July 4, 2019, a copy of which is posted on the 'Communications' section of the Website.

As you also know, Hi-Rise has scheduled a meeting on Wednesday September 25, 2019, at which Investors will vote on a proposed settlement (the "**Proposed Settlement**") of the Investors' investments in the mortgage on the Property (the "**Vote**"), which Proposed Settlement arises from the JV Agreement.

Vote Results

The Vote results were delivered today, the details of which are as follows:

1. In total, 404 Investors voted, representing 61.77% of Investors;
2. 29.364% of Investors (representing \$10,202,272 in value) voted in favour of the Proposed Settlement;
3. 70.636% of Investors (representing \$24,542,125 in value) **voted against** the Proposed Settlement; and
4. **Accordingly, the Vote did not pass.**

Next Steps

Representative Counsel, in consultation with the Official Committee, are working towards next steps. Representative Counsel will deliver an update to all Investors as soon as one becomes available. **In the meantime, there is nothing for you to do.**

Yours Truly,

Miller Thomson LLP,
solely in its capacity as
Representative Counsel

MERIDIAN CREDIT UNION LIMITED

- and -

ADELAIDE STREET LOFTS INC.

Applicant

Respondent

Court File No. CV-19-00628145-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

**AFFIDAVIT OF BERNHARD HUBER
(sworn October 30, 2019)**

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