



May 13, 2020

## **Update on Transaction Approval, Closing Date Extension & What This Means for Non-Registered Investors**

Pursuant to the Order of the Honourable Mr. Justice Hainey of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated March 21, 2019 (the “**Order**”) Miller Thomson LLP (“**Representative Counsel**”) was appointed to represent all individuals and/or entities (“**Investors**”) that hold an interest in a syndicated mortgage, 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”, 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/>.

Representative Counsel writes this update further to our communication dated May 7, 2020 entitled “Important Update on Status of Proceeding, Transaction Approval & Closing Date” (the “**Last Update**”), a copy of which is posted on the ‘Communications’ section of the Website, and to provide Investors with the following update. Please review this communication in conjunction with the Last Update.

### **Overview & Purpose of Communication**

1. As you know and as set out in the Last Update, on April 27, 2020, the Court granted an Order approving, among other things, the Amended Minutes of Settlement which contemplate an extension to the Closing Date to November 16, 2020.
2. Since issuing the Last Update, we have received numerous inquiries from Non-Registered Investors regarding the impact of the extended Closing Date on their recoveries, and have also received general comments regarding this extension.
3. We understand that many Investors are displeased that they now have to wait an additional period of time before they can receive a return of their investment. We also understand that Non-Registered Investors are displeased because interest will continue to accrue to the Registered Investors and because they will not receive any compensation for the extension.
4. We write this Communication to provide clarification to Investors on what this extension to the Closing Date means for Non-Registered Investors and their recovery, and to further advise on the reasons that led to the extension of the Closing Date.
5. The following calculations have been prepared by Representative Counsel as an estimate only to provide clarity and further detail to the Non-Registered Investors. It is important to remember that even under the Minutes of Settlement that

contemplated a Closing Date of May 14, 2020, **Non-Registered Investors were never anticipated to receive a full recovery of their investment**, meaning they were not going to receive a full return of their principal or a full return of their principal and accrued and unpaid interest. This information was made available to Investors in Representative Counsel's Fourth Report dated January 9, 2020, a copy of which is posted on the Website.

#### **Impact on Non-Registered Investors' Return of Principal Only**

6. With respect to the principal invested only: After (i) factoring in the 6 month extension to the Closing Date and (ii) after factoring in the interest that will continue to accrue to the Registered Investors during this 6 month period and that will be paid to them, the recoveries of the Non-Registered Investors on their principal only will fall from 64.86% to 62.36%.
7. This means that if the Closing Date was on May 14, 2020, Non-Registered Investors were expected to receive a return of 64.86% on their principal investment. With the 6 month extension to the Closing Date, Non-Registered Investors are expected to receive a return of 62.36% on their principal investment instead.
8. In other words, the 6 month extension to the Closing Date has resulted in approximately a **2.5% decrease** in the amount you will recover on your principal investment after the Lanterra Transaction is complete.

#### **Impact on Non-Registered Investors' Return on Total Investment Comprised of Principal & Accrued Interest**

9. With respect to the principal invested and accrued and unpaid interest: After (i) factoring in the 6 month extension to the Closing Date, (ii) factoring in the interest that would continue to accrue to Non-Registered Investors during this 6 month period, and (iii) factoring in the interest that will continue to accrue to the Registered Investors during this 6 month period and that will be paid to them, the recoveries of the Non-Registered Investors on their total investment (*i.e.* on their principal and accrued interest at the new Closing Date) will fall from 47.03% to 43.60%.
10. This means that if the Closing Date was on May 14, 2020, Non-Registered Investors were expected to receive a return of 47.03% on their total investment, being principal and interest accruing to that date. With the 6 month extension to the Closing Date, Non-Registered Investors are expected to receive a return of 43.60% on their principal investment and accrued interest instead.
11. In other words, the 6 month extension to the Closing Date has resulted in approximately a **3.43% decrease** in the amount you would have recovered on your **total investment**, being both principal and accrued and unpaid interest.

#### **Reasons for Granting of the Extension**

12. As you know, Lanterra requested an extension to the Closing Date due to the COVID-19 pandemic and Declaration of Emergency that impacted Lanterra's ability to close the Lanterra Transaction on May 14, 2020.



13. Some Investors have emailed Representative Counsel to draw attention to the reopening of the economy in the Province of Ontario, and to comment that such reopening should therefore mean that Lanterra does not need to extend the Closing Date. In this regard, Representative Counsel would like to make the following observations:
- (a) The motion for the extension was heard before the Province of Ontario announced certain measured re-opening of parts of the economy. As you all know, the COVID-19 situation is changing daily.
  - (b) Given the degree of uncertainty, Lanterra proposed a final outside date of November 16, 2020 for its closing. This closing is expected to occur regardless of the status of COVID-19 in the Province of Ontario or in Canada.
  - (c) When hearing the motions and making its decision, the Court focused on what is in the best interest of Investors. The Court was satisfied that even with a 6 month delay to the Closing Date, the Lanterra Transaction still represents the best possible outcome for Investors, both Registered Investors and Non-Registered Investors. Accordingly, the Court approved the extension to the Closing Date.
  - (d) The Court was satisfied that the current Lanterra Transaction should be preserved given that in these uncertain times, Lanterra is still committed to the Property and has held itself to a clear Closing Date (although extended) notwithstanding what the status of COVID-19 may be at that time.
  - (e) If the Lanterra Transaction was not preserved, there was great risk that (i) delay to closing a new transaction would likely be far longer than 6 months, (ii) Meridian could take steps to enforce against the Property, and (iii) the recoveries to Investors under a new transaction, if any, would be far less than anticipated under the current Settlement (even after taking account the 6 month extension).
14. We understand that the extension has caused a great deal of frustration to the Investors, and particularly the Non-Registered Investors. We hope that this Communication helps clarify the economics of the extension and the reasoning behind the extension.

**IMPORTANT Note to Investors Regarding Communications & Investor Inquiries**

Representative Counsel continues to receive inquiries that have been addressed in our Communications. The Communications we deliver to Investors are intended to provide Investors with updates on new developments and new information. Accordingly, Representative Counsel will not be repeating the same information in each of its Communications. Please consult the Website and the Communications, as it is likely that the information you are seeking has already been provided to Investors by Representative Counsel. To the extent you require further information or clarification after you have reviewed the Website and previous Communications, please feel free to contact Representative Counsel.



Further, and importantly, Representative Counsel has received numerous inquiries directly to this email, as well as to their personal emails. As set out in previous communications and in order to ensure that all inquiries are managed effectively, we ask again that you please do not email Representative Counsel directly at their personal inboxes.

In order to manage the volume of inquiries and to effectively respond to all Investors, we ask that all Investors submit inquiries to Representative Counsel through email at [HiRiseCapital@millerthomson.com](mailto:HiRiseCapital@millerthomson.com). Representative Counsel reviews all emails received through this email address on a daily basis, and will respond to **new** inquiries through further communications to Investors (which will be emailed to all Investors and posted on the Website).

It is crucial at this time that all Investors respect this request. Thank you all for your patience.

Yours Truly,

Miller Thomson LLP,  
solely in its capacity as  
Representative Counsel

