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.

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

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I. INTRODUCTION

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**") 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 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. ("**Adelaide**"), in connection with the negotiation and implementation of a settlement with respect to such investments, except for those Investors who opted out of representation by Representative Counsel in accordance with the terms of the Appointment Order (the "**Opt Out Investors**"). A copy of the Appointment Order and Endorsement of Justice Hainey dated March 22, 2019 is attached hereto as **Appendix "A"**.

2. While registered title to the Property is held by Adelaide, the main holding company and owner of Adelaide is 263 Holdings Inc. ("**Holdings**", and together with Adelaide, the "**Company**").

3. Pursuant to the Appointment Order, Representative Counsel was directed to establish an Official Committee of Investors (the "**Official Committee**") in accordance with the process and procedure described in Schedule "B" attached to the Appointment Order.

4. Pursuant to the Order and Endorsement of the Honourable Mr. Justice Hainey dated April 15, 2019 (copies of which are attached hereto as **Appendix "B"**), the Official Committee was approved and constituted. There are currently 4 members of the Official Committee. Representative Counsel regularly consults with and takes instruction from the Official Committee.

II. PURPOSE OF REPORT

5. The purpose of this Sixth Report is to facilitate the distribution of funds (the "**Distribution**") to the Investors as soon as possible, and has been filed in support of Representative Counsel's Motion for approval of a framework and mechanism for determining the amount to which individual Investors are entitled and then distributing the funds (the "**Distribution Plan**"). In particular, the Distribution Plan has been formulated with a view to avoiding unfair prejudice to the rights and remedies of parties who object to *pari passu* treatment with other Non-Registered Investors, on various bases including the timing of their investments (*i.e.*, prior to the Registered Investment Eligibility Date (as defined below)) and the provisions of their respective investment documents.

A. Background to Settlement

6. As set out in Representative Counsel's Fourth Report dated January 9, 2020 (the "**Fourth Report**"), on November 27, 2019, Representative Counsel, members of the Official Committee, Hi-Rise, Adelaide, Meridian Credit Union Limited ("**Meridian**"), Lanterra Developments Ltd. ("**Lanterra**") and certain of the Opt Out Investors attended a Court-ordered mediation before the Honourable Mr. Justice McEwen (the "**Judicial Mediation**"). A copy of the Fourth Report, without Appendixes, is attached as **Appendix "C"**.

7. The Judicial Mediation was successful insofar as the parties agreed upon a settlement (the "**Settlement**"), which Representative Counsel and the Official Committee recommended to the Investors in the Fourth Report.

8. The Settlement is memorialized in the Minutes of Settlement, as amended (the "**Minutes**"). A copy of the Minutes (including the First Amendment to the Minutes) is attached hereto as **Appendix "D"**. As further described below, the Minutes and the Settlement were approved by Investors by way of an Investor vote (the "**Vote**") and was thereafter approved by the Court.

9. The Minutes contemplate that Representative Counsel shall be responsible for attending to the distribution of the balance of the settlement proceeds as set out in section 10(e) of the Minutes (the "**Investor Settlement Amount**") to the Investors.

B. Orders Sought

10. Representative Counsel files this Sixth Report to update Investors and the Court in respect of its activities and conduct since the date of the Fifth Report dated March 12, 2020 (the "**Fifth Report**") and the Supplemental Fifth Report dated April 21, 2020 (the "**Supplemental Fifth**

Report"), copies of which without appendices are attached hereto as **Appendix "E"**, and in support of its motion for the following relief:

(a) An Order approving the activities and conduct of Representative Counsel since the date of the Supplemental Fifth Report, as disclosed herein;

(b) An Order approving the proposed Distribution Plan, including, in particular, the proposed treatment of Non-Registered Investors who formally object to *pari passu* treatment with other Non-Registered Investors (collectively, the "**Objecting Investors**"); and

(c) A Sealing Order in respect of Confidential Appendix "1" and Confidential Appendix "2" (together, the "**Confidential Appendices**"), as described below.

11. All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Appointment Order.

III. TERMS OF REFERENCE

12. In preparing this Sixth Report and making the comments herein Representative Counsel has, where applicable, relied upon information prepared or provided by Hi-Rise and/or Adelaide, and information from other third-party sources (collectively, the "**Information**"). Certain of the information contained in this Sixth Report may refer to, or is based on, the Information. As the Information has been provided by third parties or has been obtained from documents filed with the Court in this matter, Representative Counsel has relied on the Information and, to the extent possible, has reviewed the Information for reasonableness. However, Representative Counsel has neither audited nor otherwise attempted to verify the accuracy or completeness of the Information

in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and accordingly, Representative Counsel expresses no opinion or other form of assurance in respect of the Information.

IV. BACKGROUND: VOTE, INVESTOR & COURT APPROVAL OF SETTLEMENT

13. The Settlement allows the Company to move forward with a sale of 100% of the Property to Lanterra (the "**Lanterra Transaction**") and the other transactions set out in the Minutes, and was subject to approval of Investors. As of the date of this Sixth Report it is anticipated that the Lanterra Transaction will be completed on November 16, 2020.

14. Full detains in respect of the Settlement and the Minutes are set out in the Fourth Report. However, for the purposes of this Sixth Report the following procedural history is particularly relevant:

A. The Vote

15. After the Settlement and execution of the Minutes, Hi-Rise called the Vote in order to allow the Investors to vote on the Minutes and the terms of the Settlement, including the Lanterra Transaction. Investors were required to cast their Votes by January 28, 2020 at 5:00 p.m. (Toronto time).

16. In advance of the Vote, Representative Counsel delivered its Fourth Report to all Investors, which set out full details of the Minutes, the Settlement and the Lanterra Transaction, as well as the payment scheme contemplated thereunder and the estimated recoveries to Investors based on whether Investors are Registered Investors or Non-Registered Investors.

17. Ballots for the Vote were provided to Investors along with other relevant information, which indicated whether the Investor was voting as a Registered Investor or a Non-Registered Investor.

18. The Vote was successful, insofar as the Settlement and the Minutes were approved by Investors. Full details in respect of the Vote are set out in the Fifth Report, but the Vote results are summarized as follows:

(a) In total, 417 Investors voted, representing approximately 58.9% of Investors, broken down as follows:

(i) 195 Registered Investors voted, representing approximately 62% of Registered Investors;

(ii) 222 Non-Registered Investors voted, representing approximately 56% of Non-Registered Investors;

(b) 100% of Registered Investors (representing $11,861,862 in value) voted in favour of the Settlement; and

(c) Approximately 93% of Non-Registered Investors (representing $19,960,791 in value) voted in favour of the Settlement.

B. Approval Motion & Amended Minutes of Settlement

19. Pursuant to section 31 of the Appointment Order, the Settlement and Minutes (and the Lanterra Transaction contemplated therein) were subject to approval by the Court. Accordingly, Hi-Rise brought a motion originally returnable on March 19, 2020, but thereafter rescheduled to April 22, 2020 (the "**Approval Motion**").

20. In advance of April 22, 2020:

(a) Representative Counsel brought a motion returnable at the same time seeking, *inter alia*, approval of its court reports, removal of certain fee and disbursement caps contained in the Appointment Order, and for certain relief in respect of the Distribution;

(b) Lanterra brought a Cross-Motion to the Approval Motion, seeking an Order to extend the Closing Date in the Minutes of Settlement and the agreement of purchase and sale in respect of the Property (being a Closing Date of May 14, 2020);

(c) Meridian advised that it intended to proceed with its application for the appointment of a Receiver, and filed certain updated materials in respect of same; and

(d) Representative Counsel filed its Supplemental Fifth Report to set out its position with respect to the Cross-Motion and Receivership Application.

21. On April 22, 2020, the Honourable Mr. Justice Hainey granted Representative Counsel's motion and issued an Order (the "**April 22 Order**"), *inter alia*: (a) approving Representative Counsel's court reports; (b) removing the maximum amount of the Post-Appointment Fees to which the Rep Counsel Charge relates; (c) expanding the scope of the Rep Counsel Charge; (d) increasing the maximum amount of the IO Charge; and (e) authorizing Representative Counsel to retain an accounting firm, consultant or other third party professional as agent for the purposes of Distribution. Copies of the April 22 Order and related Endorsement of Justice Hainey are attached hereto as **Appendix "F".**

22. On April 22, 2020, the Approval Motion and Cross-Motion were adjourned to April 27, 2020, to provide the parties with an opportunity to negotiate a settlement on the issue of extending the Closing Date. During this time, the parties settled matters related to the Cross-Motion, whereby the parties agreed to extend the Closing Date of the Lanterra Transaction to November 16, 2020. This extension to the Closing Date was memorialized in the First Amendment to the Minutes (previously attached hereto at Appendix "D).

23. Due to the fact that an extension to the Closing Date would have different impacts on the financial recoveries to Registered Investors and Non-Registered Investors under the Settlement, Representative Counsel was not in a position to agree or disagree to the above-noted settlement, and instead required authorization from the Court with respect to same.

24. Pursuant to the Endorsement of Justice Hainey dated April 27, 2020, a copy of which is attached hereto as **Appendix "G"**, Representative Counsel and the Official Committee were granted authorization by the Court to execute the First Amendment to the Minutes of Settlement, and thereafter attended to same.

C. Court Approval of Lanterra Transaction

25. On April 27, 2020, the Honourable Mr. Justice Hainey granted the Approval Motion and issued an Approval and Vesting Order (the "**Approval and Vesting Order**") which, *inter alia*, approved the Lanterra Transaction and the Minutes (including the First Amendment), declared that Adelaide's right, title and interest in and to the Purchased Assets (as defined in the Approval and Vesting Order) shall vest absolutely in Lanterra upon certain conditions being met, and directed that the Distribution of the Purchase Price in accordance with the Minutes be approved. A copy of the Approval and Vesting Order is attached hereto as **Appendix "H"**.

V. RELEVANT BACKGROUND & PARTICIPATION IN SYNDICATED MORTGAGE

26. This proceeding commenced on March 21, 2019. Hi-Rise brought an application to the Court under section 60 of the *Trustee Act* (Canada) for, *inter alia*, the appointment of Representative Counsel, and a declaration that Hi-Rise has the power under the loan participation agreements (each, an "**LPA**") and mortgage administration agreements (each, an "**MAA**") with Investors to grant a discharge of the syndicated mortgage (the "**Syndicated Mortgage**") held for the benefit of the Investors over the Property in the event the proceeds from a transaction relating to the Property are insufficient to pay in full the amounts outstanding under the Syndicated Mortgage.

27. As further set out in Hi-Rise's application, Hi-Rise is a mortgage broker and mortgage administrator licensed by the Superintendent of Financial Services of Ontario. Hi-Rise receives and advances, on behalf of Investors, funds to a variety of companies, such as Adelaide, that undertake real property developments such as the Property. The terms on which Investors advance their funds and Hi-Rise administrators each Syndicated Mortgage are set out in the LPA and the MAA.

28. The indebtedness owing by Adelaide to Hi-Rise is secured by way of a second mortgage registered on title to the Property, being the Syndicated Mortgage (the "**Second Mortgage**").

29. Investments in Hi-Rise were first offered in 2011. At this time, the Second Mortgage was registered in favour of Hi-Rise, which held the sole interest in the Second Mortgage. Accordingly, at this time, there was only one way for Investors to participate in the Second Mortgage (*i.e.,* through Hi-Rise).

30. As more fully particularized below, as of May 22, 2014 (the "**Registered Investment Eligibility Date**"), investments in Hi-Rise were offered either through Hi-Rise on a cash-investment basis or through Canadian Western Trust, now Community Trust Company ("**CTC**"), on a registered-investment basis (*e.g.*, through an RRSP).

31. Accordingly, the Second Mortgage is currently registered in favour of both Hi-Rise and CTC. CTC holds an interest in the Second Mortgage in the amount of $24,500,000, which interest ranks ahead of Hi-Rise's interest.

32. As of today's date, there are two ways in which Investors participate in this Second Mortgage:

(a) Registered Investors – Registered Investors are Investors that participate in the Second Mortgage through CTC and made their investment through a registered plan such as a RRSP. Accordingly, as the Registered Investors participate in the Second Mortgage through CTC, their interest in the Second Mortgage ranks ahead of the Non-Registered Investors participating through Hi-Rise.

(b) Non-Registered Investors – Non-Registered Investors are Investors that participate in the Second Mortgage through Hi-Rise and did not make their investment through a registered plan but rather, through a non-registered cash investment. Accordingly, as the Non-Registered Investors participate in the Second Mortgage through Hi-Rise, their interest in the Second Mortgage ranks behind the interest of Registered Investors participating through CTC.

33. In light of the above-noted priorities within the Second Mortgage, Registered Investors receive priority treatment in respect of a return of their investments, and Non-Registered Investors rank subordinated to (and therefore receive payment after) the Registered Investors.

VI. DISTRIBUTION OF INVESTOR SETTLEMENT AMOUNT

A. Authority for Motion

34. As noted above, the Minutes provide that Representative Counsel will be responsible for the Distribution of the Investor Settlement Amount.

35. In particular, section 13 of the Minutes provides, *inter alia*, that: (i) Hi-Rise shall be responsible for preparing a list of Investors and corresponding distribution entitlements and priorities of each of the Investors (together with appropriate documentation establishing same) (the "**Investor Distribution List**"); (ii) solely for the purpose of ensuring that the Investor Settlement Amount is distributed in accordance with the respective entitlements of Investors, Representative Counsel shall be entitled to review the Investor Distribution List prior to any Distribution of the Investor Settlement Amount; (iii) if there are disputes over the Investor entitlements or any part of the Investor Distribution List, Representative Counsel shall seek directions from the Court prior to effecting any Distribution; and, (iv) Representative Counsel shall be entitled, in consultation with Hi-Rise, to delegate the task of Distribution of the Investor Settlement Amount.

36. Section 14 of the Minutes provides that prior to effecting any Distribution of the Investor Settlement Amount, Representative Counsel shall obtain Court approval of the Investor Distribution List and proposed mechanism for Distribution.

37. Pursuant to section 10 of the April 22 Order, the Court ordered that "… Representative Counsel shall be entitled to seek a further Court Order or direction from the Court on any matters related to the implementation of the Minutes of the Settlement, including but not limited to, matters related to Distribution of the Investor Settlement Amount."

38. Accordingly, and pursuant to the terms of the Minutes and April 22 Order, Representative Counsel brings the within motion for approval of its proposed Distribution Plan in respect of the Investor Settlement Amount.

B. Standard LPAs

39. As of May 22, 2014 (being the Registered Investment Eligibility Date noted above)[1], investments in the Second Mortgage could be made either through Hi-Rise on a cash basis, or through CTC in a registered plan.

40. Accordingly, as of today's date, there are currently two categories of Investors, being Non-Registered Investors (participating in the Second Mortgage through Hi-Rise) and Registered Investors (participating in the Second Mortgage through CTC).

41. Hi-Rise's initial application motion record dated March 19, 2019 includes sample LPAs for each of these two categories of Investors. Specifically, an example of a Non-Registered Investors' LPA (the "**Standard Non-Registered LPA**") is attached as Exhibit "A" to the Affidavit of Noor Al-Awqati sworn March 19, 2020 (the "**Al-Awqati Affidavit**") and a redacted copy of same is attached hereto as **Appendix "I"**.

[1] The Registered Investment Eligibility Date was confirmed by Hi-Rise by letter dated September 21 2020, attached to this Sixth Report at Appendix "O".

42. The Standard Non-Registered LPA contains the following provision with respect to the Non-Registered Investors' status and priority within the Second Mortgage:

Priority in Mortgage Loan:	**Subordinated Investor** *There is a second mortgage registered against the subject property in the name of both Hi-Rise Capital Ltd. and Canadian Western Trust. Canadian Western Trust will hold an interest of $9,500,000.00 ahead of Hi-Rise Capital Ltd.* ***As a non-registered investor**, you participate in this second mortgage through Hi-Rise Capital Ltd. As between the second mortgagees, Hi-Rise Capital Ltd. is subordinated to Canadian Western Trust. In the event of an insolvency or liquidation of the borrower, the claims of Hi-Rise Capital Ltd. will rank junior to the claims of Canadian Western Trust.*

43. An example of the Registered Investors' LPAs is attached as Exhibit "B" to the Al-Awqati Affidavit (the "**Standard Registered LPA**") and a redacted copy of same is attached hereto as **Appendix "J"**.

44. The Standard Registered LPA contains the following provision with respect to the Registered Investors' status and priority within the Second Mortgage:

Priority in Mortgage Loan:	*There is a second mortgage registered against the subject property in the name of both Hi-Rise Capital Ltd. and Canadian Western Trust. Canadian Western Trust will hold an interest of $9,500,000.00 ahead of Hi-Rise Capital Ltd.* ***As a registered investor**, you participate in this second mortgage through Canadian Western Trust. As between the second mortgagees, Hi-Rise Capital Ltd. is subordinated to Canadian Western Trust. In the event of an insolvency or liquidation of the borrower, the claims of Canadian West Trust. will rank senior to the claims of Hi-Rise Capital Ltd..*

45. Based on Representative Counsel's review of the LPAs provided by Hi-Rise, there are approximately 59 Standard Non-Registered LPAs and 258 Standard Registered LPAs.

46. Paragraph 8 of the Al-Awqati Affidavit indicates that the wording of the LPAs changed slightly over the course of the Project, and identifies 4 other iterations of the LPAs in addition to the standard LPAs noted above.

C. Delivery of LPAs, Master Index and RRIF Index

47. Over the course of a few weeks in April 2020, Hi-Rise provided Representative Counsel with a copy of each Investor's LPA(s). In certain cases, a single Investor made multiple investments in Hi-Rise and therefore executed more than one LPA. In total, Hi-Rise provided Representative Counsel with 767 LPAs. As further described below, in undertaking the Distribution process Representative Counsel has reviewed each LPA provided by Hi-Rise.

(i) Master Index

48. In addition, Hi-Rise provided an index (the "**Master Index**") that sets out, among other things, (a) the name of each Investor, (b) the priority of the Investors' respective investments (*i.e.,* whether the Investor is recorded as a Registered Investor or a Non-Registered Investor in Hi-Rise's records), (c) the number of LPAs that each Investor executed, and, (d) the amount of his or her investment. A copy of the Master Index is attached as **Confidential Appendix "1".**

49. Pursuant to the Master Index, Hi-Rise has recorded a total of $17,133,872.86 in investments by Registered Investors and a total of $34,973,891.58 in investments by Non-Registered Investors.[2]

(ii) RRIF Index

50. Pursuant to the Master Index, certain Registered Investors have had portions of their investments de-registered. Hi-Rise has provided an additional spreadsheet that sets out the Investor names and the amounts that have been de-registered from their registered investments with CTC (the "**RRIF Index**"). A copy of the RRIF Index is attached as **Confidential Appendix "2"**.

[2] AS of November 16, 2020.

51. With respect to the RRIF Index and de-registrations, Hi-Rise advised Representative Counsel that certain Registered Investors have had their RRSPs converted to a Registered Retired Income Fund ("**RRIF**"), which pays out a minimum income to that Investor on an annual basis. A de-registration occurs when a Registered Investor does not have a sufficient balance in his or her RRIF account to fund the mandatory annual minimum payment. In these instances, CTC is not able to payout the Investor directly in light of the insufficient account balance.

52. Instead, CTC issues a payment in-kind on account of this mandatory minimum payment from the registered investment account, and directs Hi-Rise to de-register this same amount from the Investors' Registered Investment into a Non-Registered Investment. Accordingly, after this de-registration occurs, the Investor would have a portion of his or her investment as a Non-Registered Investment, and the balance remains Registered Investment.

53. Pursuant to the RRIF Index, a total of $114,095.92 has been de-registered from a Registered Investment to a Non-Registered Investment.

D. Sealing Order

54. The Master Index and the RRIF Index contain private and sensitive information related to the Investors. In particular, they each include the first and last names of each Investor, and the amounts of their respective investments or de-registered investments.

55. Accordingly, in light of the confidential nature of the Master Index and RRIF Index, Representative Counsel is seeking a sealing Order in respect of the Confidential Appendices.

E. LPA Review: Iterations & Issues Identified

56. Upon receiving the Master Index and LPAs from Hi-Rise, Representative Counsel conducted a preliminary review of the LPAs in order to determine whether the provisions of each LPA fell within the Standard Registered LPA and Standard Non-Registered LPA forms described above. By letter to Hi-Rise dated May 15, 2020, a copy of which is attached hereto as **Appendix "K",** Representative Counsel prepared a list of questions regarding the LPAs it reviewed. By letter dated June 3, 2020, a copy of which is attached hereto as **Appendix "L"**, Hi-Rise provided its responses.

57. In light of certain of the responses it received from Hi-Rise, Representative Counsel completed an in-depth review of the LPAs for the purposes of determining the provisions contained in the loan documentation and the priority of each Investor in order to recommend a Distribution plan.

58. Based on this review, Representative Counsel determined that there are a total of 15 different iterations of the LPAs (the "**Iterations**"). Attached hereto as **Appendix "M"** is a summary chart (the "**Iteration Summary Chart**") prepared by Representative Counsel that sets out the following:

(a) An identification and description of each of the 15 Iterations;

(b) The language contained in each of the 15 Iterations as it relates to the Investors priority status within the Second Mortgage (*i.e.,* the provision, if any, that identifies whether the Investor is a Registered Investor or a Non-Registered Investor);

(c) The total number of LPAs within each Iteration, and whether these LPAs are categorized by Hi-Rise as Registered Investors or Non-Registered Investors in the Master Index;

(d) The date span within which each Iteration was used (*i.e.,* the earliest and latest execution dates of each Iteration).

(e) The loan participation numbers that appear in each LPA within each Iteration (which differ within each Iteration type);

(f) The relevant subordination language (if any) that appears in each Iteration; and

(g) The total amount invested by Investors with LPAs within each Iteration.

59. Upon reviewing the LPAs, Representative Counsel has identified the following issues with respect to the language contained in the LPAs within certain Iterations, which can be grouped into 3 main categories:

Category 1: LPAs with Conflicting Language

(a) Iteration type 1: These LPAs contain conflicting language with respect to the Investor's priority within the Second Mortgage. In particular, the LPA states that the Investor is a "Subordinated Investor", but also contains the following language: "As a registered investor, the Participant participates in this second mortgage through Western Trust...". Furthermore, notwithstanding that the Investors executed identical documentation, the Investors are recorded differently in the Master Index. In particular, most of the Investors with this LPA are recorded by Hi-Rise as Non-Registered Investors (although their LPAs state otherwise), and others

are recorded as Registered Investors in the Master Index. In total, there is an amount of $2,505,000 in investments by Investors with this Iteration type, including an amount of $2,155,000 in respect of Non-Registered Investors.

(b) Iteration type 3: There is a conflict between the language contained in these LPAs and Hi-Rise's recording of the Investors in the Master Index. In particular, these LPAs state that, "As a registered investor, the Participant participates in this second mortgage through Western Trust", but all except one of these Investors are recorded as Non-Registered Investors and the LPAs do not contain any language to suggest that these Investors agreed to subordinate their interest in the Second Mortgage. In total, there is an amount of $1,527,000 in investments by Investors with this Iteration type, including an amount of $1,327,000 in respect of Non-Registered Investors.

(c) Iteration Type 12: There is a conflict between the language contained in these LPAs and Hi-Rise's recording of the Investors in the Master Index. In particular, these LPAs state that, "As a registered investor, the Participant participates in this second mortgage through Western Trust", however, one of the Investors within this Iteration is recorded as a Non-Registered Investor, despite the clear subordination language in the LPA. In total, there is an amount of $469,000 in investments by Investors with this Iteration type, including an amount of $50,000 in respect of Non-Registered Investors.

(d) **Total Amount in Issue**: Based on the above, there is a total of $3,532,000 in investments by Non-Registered Investors that have executed LPAs containing conflicting language.

Category 2: Investors Recorded as Non-Registered Investors but No Subordination Language in LPA

(e) Iteration Type 13: The Investors with these LPAs are all recorded as Non-Registered Investors in the Master Index, but the LPAs do not contain any language to indicate that these Investors agreed to subordinate their interest in the Second Mortgage or any language to explain the priorities within the Second Mortgage. In total, there is an amount of $2,570,000 in investments by Investors with this Iteration type.

(f) **Total Amount in Issue**: Based on the above, there is a total of $2,570,000 in investments by Non-Registered Investors that have executed LPAs that do not contain any substantial subordination language.

Category 3: Investors Recorded as Non-Registered Investors, but Invested Before the Registered Investment Eligibility Date and No Subordination Language in LPA

(g) Iteration Types 5, 7, 8, 10, 14 and 15: With the exception of certain Investors in Iteration type 14 (three of which are recorded as Registered Investors with total investments in the amount of $213,000 and one of which that executed the LPA after the Registered Investment Eligibility Date with an investment in the amount of $26,000), the LPAs in these Iteration types were all executed prior to the Registered Investment Eligibility Date. This means that these Investors executed their LPAs and invested in the Second Mortgage when the only way to participate

in the Second Mortgage was through Hi-Rise on a cash-basis, *i.e.,* before Canadian Western Trust / CTC's involvement in the Second Mortgage and any possibility of investing through a RRSP.

(h) These Investors are recorded as Non-Registered Investors in the Master Index, but their LPAs do not contain any substantial subordination language to suggest that these Investors agreed to a future subordination of their interest in the Second Mortgage to the Registered Investors (that invested after the RRSP Eligibility Date and after the date of these LPAs). In total and after accounting for the few exemptions within Iteration type 14 noted above, there is a total of $17,553,000 in investments by Investors with these Iteration types (including the amounts of $4,223,000 in Iteration type 5, $2,172,000 in Iteration type 7, $4,615,000 in Iteration type 8, $60,000 in Iteration type 10, $896,000 in Iteration type 14, and $5,647,000 in Iteration type 15).

(i) **Total Amount in Issue**: Based on the above, an amount of $17,553,000 was invested by Non-Registered Investors that executed their LPAs prior to the Registered Investment Eligibility Date, and whose LPAs do not contain any substantial subordination language or agreement to future subordination.

60. In addition to the above-noted issues with respect to the language in LPAs within certain Iterations, Representative Counsel has also identified the following two issues:

(a) Iteration Type 10: In addition to the issue identified above, there is only one Investor with a LPA in Iteration Type 10. With respect to the priority in the Second Mortgage, the LPA states "2nd Priority Investor at 85% LTV". The LPA provides

no further guidance with respect to the meaning or effect of this provision. This Investor invested the amount of $60,000 pursuant to this Iteration type.

(b) Neilas Inc. Share Arrangement: Certain LPAs contain language regarding "profit sharing". The appearance of such provisions appears to be somewhat random, in that the provisions appear within some LPAs within an Iteration type, but not all. Further, similar provisions appear across various Iterations. Examples are as follows:

Example 1:

Profit Participation:	Profit is to be shared as follows: Neilas Inc. (or a related company) 60% and Waterview Capital Corp. 40%. The Participant shall be entitled to its pro rate share of the amount of profit earned by Waterview Capital Corp. Its pro rata share shall be calculated by determining the Participant's percentage of the mortgage amount above.

Example 2:

3. **Priority of Return to 1st Priority and Subordinated Investors**

Firstly: Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC on account of the Loan shall be applied in the following manner: firstly, to pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Loan.

Secondly: 1st Priority Investors to receive all principal and interest owing.

Thirdly: All remaining monies to be divided 60% to Neilas Inc. and 40% to HRC on behalf of the 1st Priority Investors.

Neilas Inc. shall postpone its entitlement to monies until the Subordinated Investor receives its principal and bonus based on the formula set out in the Bonus Interest Payment provision of this agreement and shall provide direction to HRC to direct funds accordingly.

The formula for determining the bonus payment to the Subordinated Investor is the same formula as set out in the Bonus Interest Payment provision above. The Subordinated Investor's bonus shall be postponed to the 1st Priority Investor, but shall rank in priority to monies owing to Neilas Inc.

61. As it is unlikely that there will be sufficient funds to pay all Investors in full, these provisions are not expected to impact the Distribution.

F. Further Information & Assistance from Hi-Rise

62. Representative Counsel continues to work with Hi-Rise on matters related to the LPA review and the anticipated Distribution.

63. Upon identifying the above-noted issues, Representative Counsel delivered a subsequent letter to Hi-Rise dated September 10, 2020, a copy of which is attached as **Appendix "N"**, setting out a further list of questions regarding the LPAs.

64. By letter dated September 21, 2020, a copy of which is attached as **Appendix "O**", Hi-Rise provided its responses. With respect to the issue of conflicting language and conflicting recording in the Master Index, Hi-Rise's position is that at the relevant time there was only one version of the LPA that was used for both Registered Investors and Non-Registered Investors. Unfortunately this does not provide a complete explanation as there are multiple other iterations of LPAs that were executed during the same date span.

VII. PROPOSED DISTRIBUTION PLAN

A. Overview

65. Representative Counsel recommends that the proceeds be distributed to the Investors as follows (assuming that there will be sufficient funds to pay Registered Investors in full and Non-Registered Investors in part):

(a) First, to Registered Investors (as recorded in the Master Index) on account of principal and interest; and

(b) Second, to Non-Registered Investors (as recorded in the Master Index) *pro rata* based on principal and interest outstanding.

66. Representative Counsel has recommended this Distribution Plan (including *pari passu* treatment of all Non-Registered Investors) for the reasons set out herein including at paragraph 75 below.

67. However, given the issues identified above, Representative Counsel is also of the view that the proposed Distribution Plan should accommodate individual Investors who wish to object to their classification and treatment thereunder.

B. Distribution Summary

68. A summary (the "**Distribution Summary**") of the estimated distributions under the Settlement is set out at **Appendix "P"**.[3] The Distribution Summary was prepared by Representative Counsel to provide Investors and the Court with an estimate of the expected distribution amounts following the Closing Date (*i.e.*, Registered and Non-Registered).

69. If all Investors are placed in one of two classes (*i.e.*, Registered and Non-Registered), following closing of the Lanterra Sale, the Investor Settlement Amount shall be distributed among the Investors and Opt Out Investors as follows:

(a) Registered Investors will be paid the full amount of their principal and interest claims as at the Closing Date. The aggregate amount of the claims of Registered Investors is estimated at approximately $23,745,860.20 as of the expected Closing Date, composed of the amounts of $17,133,872.86 in respect of principal and $6,611,987.34 in respect of accrued and unpaid interest; and

[3] This Distribution Summary varies slightly from the version contained in the Fourth Report, based on updated numbers that reflect, among other things, the extension to the Closing Date.

(b) Non-Registered Investors will receive the remaining balance of the Investor Settlement Amount on a pro rata basis. The aggregate amount of the claims of Non-Registered Investors is estimated at approximately $50,015,104.75 as of the expected Closing Date, composed of the amounts of $34,973,891.58 in respect of principal and $15,041,213.17 in respect of accrued and unpaid interest.

70. Based on the foregoing, it is anticipated that Non-Registered Investors will receive an aggregate amount of approximately $21,955,865.13 in respect of their claims, equal to 62.78 percent of the amount of their principal investments and 43.9 percent of the amount of their principal investments and accrued and unpaid interest.

71. The Distribution Summary is based on projected estimations only and is subject to change. The Distribution will be subject to ordinary closing adjustments as at the Closing Date, and accordingly, the estimated numbers contained in the Distribution Summary are not final.

C. Considerations & Bases for Recommendation

72. As set out above and in the Iteration Summary Chart, the LPA irregularities described therein could give rise to arguments regarding respective inter-Investor priorities that could materially affect Distribution entitlements for individual Investors.

73. Representative Counsel does not provide advice to individual Investors regarding their particular circumstances including any rights and remedies they may have under their particular LPAs or otherwise. Where individual Investors have contacted Representative Counsel with questions regarding their specific investments and documentation, they have been directed to Hi-Rise for assistance. However, a number of Investors (as well as certain Opt Out Investors) have raised questions regarding, in particular, the absence of subordination language in their LPAs.

74. As such, while on balance, fairness, efficiency and other factors militate in favour of classification and treatment of Investors in accordance with the Master Index (*ie*, as either a Registered Investor or Non-Registered Investor), Representative Counsel acknowledges that there may be certain Investors who wish to object to this proposal.

75. In making its recommendations, Representative Counsel considered factors that include the following:

(a) The Lanterra Transaction is a component of the settlement between the Investors, Hi-Rise, Adelaide and other parties, as memorialized in the Minutes of Settlement. The settlement does not purport to implement the terms of the LPAs; rather, it settles all claims between and among the parties, including, in particular, those of Investors under their respective LPAs;

(b) Investors who participated in the Vote did so classified as either Registered Investors or Non-Registered Investors;

(c) Investors, in accordance with the Master Index, were provided with notice of the Vote that included a clear indication as to whether they were classified as a Registered Investor or a Non-Registered Investor. Furthermore, through Representative Counsel's communications, Investors were made aware of the impact of classification as a Registered Investor or Non-Registered Investor.

Representative Counsel is not aware of any Investor who objected to its classification in respect of the Vote;[4]

(d) Representative Counsel has been advised by Hi-Rise that at all times Hi-Rise treated and communicated with individual Investors as either Registered Investors or Non-Registered Investors, in accordance with the Master Inde; and

(e) A judicial determination regarding the impact of the varying language in the 15 LPA iterations would be prohibitively expensive and protracted, particularly given the circular competing priorities potentially raised by the language in Categories 1 and 2 of the LPA Iterations.

D. Objections to *Pari Passu* Treatment of Non-Registered Investors

76. Prior to completing this Report, Representative Counsel consulted on its recommendations with a number of key stakeholders including counsel to the Opt Out Investors, one of whom is a takes the position that, as the Opt Our Investor did not agree to subordinate to the Registered Investors (and, in fact, the Registered Investors did not yet even exist at the time of the investment), the Opt Out Investor should be treated as if all Investors were to be treated *pari passu* such that all Investors share *pro rata* in the amount available for distribution.

77. In addition, Representative Counsel has recently been contacted by certain Investors that it represents (in other words, Investors that have not opted out of Representative Counsel's representation in accordance with the Appointment Order), and such Investors have asserted a

[4] Representative Counsel notes that certain Opt Out Investors have previously raised issues related to a lack of subordination language in their LPAs, but the issue was deferred on the basis that it was distribution-related and not yet relevant.

similar position based on either their status as a Pre-RRSP Investor or the wording in their respective iterations of the LPAs.

E. Treatment of Objecting Investors

78. As noted above, certain Non-Registered Investors take the position that they should not be subordinated for the purpose of the Distribution. The impact of the position taken by these Investors cannot be determined until their objections are resolved. It is unknown how many Non-Registered Investors intend to assert priority, or whether such assertions have legal merit.

79. In any event, the issue cannot be determined on a consolidated "class" basis, particularly as Representative Counsel understands that Pre-RRSP Investors received regular communications from the Company regarding the status and priority of their investments for many years after their investments were first made, including, among other things, notice of the registered plan eligibility and the role of Canada Western Trust (predecessor to Community Trust Company) in the Syndicated Mortgage.

F. Notice to Investors & Opportunity to Object

80. As noted above, despite its recommendation regarding Investor classification, Representative Counsel acknowledges the need to provide Investors who wish to object to the proposed Distribution Plan with a meaningful opportunity to do so. Consequently, immediately after service of this Sixth Report, Representative Counsel intends to do the following:

(a) Publish an Investor communication substantially in the form attached hereto as **Appendix "Q"** (the "**Distribution Plan Approval Notice**") on the Website (as defined below);

(b) Publish a copy of this Sixth Report on the Website; and

(c) Email a copy of (and/or html link to) the Distribution Plan Approval Notice and the Sixth Report to Investors for which it has an email

81. The Motion for approval of the proposed Distribution Plan (the "**Distribution Plan Motion**") is returnable November 23, 2020. As such, Representative Counsel anticipates that by the date of the Distribution Plan Motion, Investors will have had approximately 17 days' advance notice of the Motion and the Distribution Plan. Representative Counsel intends to confirm specifics of the above-noted communications in its Supplementary Sixth Report, to be filed prior to the Distribution Plan Motion.

82. Pursuant to the Distribution Plan Approval Notice, Investors who wish to object to the proposed Distribution Plan and become "Objecting Investors" are required to provide notice of the objection to Representative Counsel at least three (3) days prior to the hearing of the Distribution Plan Motion, failing which they will be deemed to approve of the Distribution Plan, including their classification and treatment as a Non-Registered Investor.

83. Due to the nature and scope of its mandate and the varying and potentially conflicting interests of its individual constituents, Representative Counsel is not in a position to advocate for or against, or otherwise respond to, any such individual Investor objections, beyond what is expressly set out in this Sixth Report.

84. Consequently, as stated in the Distribution Plan Approval Notice, in order to pursue their claims, Objecting Investors will be required to engage their independent counsel (or act in person).

G. Reserve for Objecting Investor Claims

85. Prior to the hearing of the Distribution Plan Motion, Representative Counsel will advise the Court in a Supplementary Sixth Report as to the number of Objecting Investors and the aggregate amount of their claims, and will make further recommendations at that time.

86. In any event, Representative Counsel expects that it will be required to hold back a reserve amount sufficient to deal with any outcome of the dispute raised by Objecting Investors. The amount of the reserve will be dependent upon the number of Objecting Investors, the basis for and nature of their objections, and the aggregate amount at issue.

H. Administrative Matters Related to Distribution

87. In addition to the above-noted Distribution Plan, Representative Counsel seeks Court approval of administrative procedures related to the Distribution based on communications received from Investors and other stakeholders, as summarized below.

(i) Changes of Address

88. It has come to Representative Counsel's attention that certain Investors have changed their residential addresses since the time they executed their LPA, and as such, the mailing list maintained by Hi-Rise and by Representative Counsel requires updating.

89. Accordingly, in a communication dated October 9, 2020 (further described below), Representative Counsel requested that Investors who have changed their address to notify Representative Counsel of same.

90. In total, Representative Counsel has received 33 address change notifications from Investors, and has updated its list accordingly. Representative Counsel intends to request proof of address from these Investors (*i.e.,* a copy of a utility bill or other similar mailed document

evidencing the name of the Investor and the new address) before it issues and mails Distribution funds to said new addresses (the "**Address Change Procedure**").

91. Representative Counsel is seeking Court approval of the Address Change Procedure for the purposes of Distribution.

(ii) Dissolved Corporate Investors

92. Certain Investors invested in Hi-Rise through a corporation. It has come to Representative Counsel's attention that at least 1 corporate Investor has been dissolved.

93. Given that the Investor as indicated on the LPA and in the Master Index no longer exists, Representative Counsel recommends either of the following procedures before effecting a Distribution (the "**Dissolved Corporate Investor Procedure**"):

(a) The corporate Investor files articles of revival and reinstates the corporation. In such case, Representative Counsel will require proof of same, and will conduct corporation profile searches in order to satisfy itself on the active status of the company. Once confirmed, Representative Counsel will issue the Distribution cheque to the revived corporate Investor; or

(b) Representative Counsel will hold back the amount of the Distribution to the corporate Investor, and the individual that believes he/she is entitled to receive the Distribution cheque on behalf of the dissolved company will bring a motion to the Court in these proceedings and obtain a Court Order directing Representative Counsel to issue the cheque accordingly.

94. Representative Counsel is not in a position to make a Distribution to an individual that requests same on behalf of a dissolved corporation. Representative Counsel is not in a position to verify whether the individual is the correct payee, having regard to the possibility that there may be creditors of the dissolved corporation, or other shareholders of the dissolved corporation that may be entitled to the Distribution.

95. Representative Counsel is of the view that evidence on these matters should be placed before the Court for determination and Representative Counsel requires a Court Order that requesting individual is the proper individual to receive the Distribution funds, or otherwise.

96. Representative Counsel is seeking Court approval of the Dissolved Corporate Investor Procedure for the purposes of Distribution.

(iii) Deceased or Incapacitated Investor

97. Representative Counsel has been contacted by a number of individuals who have advised that they either (i) hold a power of attorney in respect of an incapacitated Investor, or (ii) are the executor of a deceased Investor's estate, and request that the Distribution funds be delivered to them. At this time, the Representative Counsel is aware of 1 incapacitated Investor and 4 deceased Investors.

98. Representative Counsel recommends the following in such case:

(a) In the case of an incapacitated Investor, the individual(s) provided with power of attorney for personal property will provide Representative Counsel with (i) a true notarized copy of the Power of Attorney for Personal Property; (ii) satisfactory evidence of evidence incapacitation (*eg*, a letter from a doctor); (iii) copies of two

pieces of government-issued identification of the individual holding the power of attorney(s). Representative Counsel may, at its discretion, require that a person holding a power of attorney(s) make themselves available for identification, and may contact the doctor that authors the medical note for verification. Representative Counsel will then issue the Distribution funds payable to the name of the Investor, but will deliver the cheque to the address of the power of attorney (the "**Incapacitated Investor Procedure**"); and

(b) In the case of a deceased Investor, the individual or individuals named as the executor of the deceased Investor's estate will provide Representative Counsel with (i) a copy of the Death Certificate of the deceased Investor; (ii) a true notarized copy of the last will of the deceased Investor or other proof of appointment as executor; (iii) two copies of government issued identification of the executor(s). Representative Counsel may, at its discretion, require that the executor(s) make themselves available for identification. Representative Counsel will then issue the Distribution funds payable to the executor(s) on behalf of the estate of the deceased Investor, and will deliver the cheque to the address of the executor (or in the case of more than one executor, to the agreed-upon address confirmed by each executor) (the "**Deceased Investor Procedure**").

99. Representative Counsel is seeking Court approval of the Incapacitated Investor Procedure and Deceased Investor Procedure for the purposes of Distribution.

(iv) Assignment of Distribution to Third Party

100. Representative Counsel has been contacted by a law firm that represents a creditor of an Investor, and has been provided with an Acknowledgment & Direction signed by the Investor and directing that the Investor's Investor Payment Amount under the Distribution Plan be paid to the creditor.

101. The Investor has confirmed the authenticity of the Acknowledgement & Direction to Representative Counsel. Representative Counsel is seeking Court approval to deliver the funds to the law firm in trust on behalf of its creditor client.

102. In order to efficiently deal with this issue as well as in anticipation of further similar requests, Representative Counsel seeks an Order that it be authorized to rely on and comply with any assignment of claim, direction regarding payment of funds or other similar document signed by an Investor directing that an Investor Payment Amount (or any part thereof) be directed to a third-party, provided that an original of such signed document is delivered to Representative Counsel by a law firm.

I. Next Steps

103. In the event that the Distribution Plan proposed herein is approved at the Distribution Plan Motion and the Lanterra Transaction closes as anticipated (*i.e.*, on November 16, 2020), Representative Counsel hopes to begin distributing funds to the Investors by early January 2021.

104. As at the date of this Sixth Report, Representative Counsel is in the course of engaging Alvarez & Marsal Canada Inc. ("**A&M**") to act as "Distribution Agent" and assist in the Distribution process, as authorized pursuant to the April 22 Order. A&M was appointed as Information Officer pursuant to the Order of the Court dated September 17, 2019, in order to,

among other things, assist the Court and the parties by providing its analysis of the financial condition of Hi-Rise and its efforts to sell or otherwise monetize the Property. As such, A&M is familiar with HRC and the investment structure, has expertise in administering claims processes and creditor distributions, and can assist Representative Counsel efficiently and cost-effectively.

105. Subject to the outcome of the Distribution Plan Motion, Representative Counsel intends to work with Hi-Rise to create a definitive distribution list that will set out the distribution "waterfall" of payments including, among other things, the amounts that are to be paid to each individual Investor (the "**Investor Payments**").

106. Representative Counsel will provide each Investor with notice of the amount of his or her Investor Payment substantially in the form attached hereto as **Appendix "R"** (the "**Investor Payment Notice**"). The Investor Payment Notice will also set out the amount being held back in reserve in the event a reserve is necessary.

107. The Investor Payment Notice provides that, among other things, the Investor has 14 days within which to object to the amount of the proposed Investor Payment (the "**Objection Period**"), failing which the Investor shall be deemed to have accepted the amount.

108. Representative Counsel intends to return to Court at its earliest opportunity following delivery of the Investor Payment Notices to seek approval of the proposed Investor Payments and to authorize Representative Counsel to complete the Distribution upon expiry of the Objection Period.

VIII. ACTIVITIES & CONDUCT OF REPRESENTATIVE COUNSEL

A. Activities of Representative Counsel

109. Since the date of the Supplemental Fifth Report and the extension of the Closing Date to November 16, 2020, in addition to reviewing the LPAs, Representative Counsel has continued to work with counsel to Hi-Rise, Adelaide, Lanterra and the other stakeholders toward completion of the Lanterra Transaction and the Distribution.

B. Website & Email Account

110. Representative Counsel maintains a public website at the following URL: https://www.millerthomson.com/en/hirise/ (the "**Website**"), where it continuously posts information related to this proceeding for all Investors to view, including communications prepared by Representative Counsel, Court Reports and motion materials, and Orders issued in these proceedings. The Website is up to date and contains all relevant information related to the status of this proceeding. A copy of a printout of the Website is attached as **Appendix "S".**

111. Representative Counsel maintains an email address for Investors to submit inquiries to Representative Counsel: HiRiseCapital@millerthomson.com (the "**Email Account**"). Representative Counsel continues to regularly monitor inquiries submitted by Investors to the Email Account.

112. In an effort to maintain efficiency, Representative Counsel's policy is that it generally does not provide individualized responses or advice to the inquiries sent to the Email Account. Instead, Representative Counsel reviews all emails and inquiries received and provides general responses to all Investors by way of communications, as further described below.

C. Communications

113. Since the date of the Supplemental Fifth Report, Representative Counsel has prepared the following communications, emailed same to Investors for which it has an email address, and has posted a copy of same to its Website:

(a) "Update on Status of Proceeding and Implications of COVID-19" dated March 17, 2020, a copy of which is attached as **Appendix "T"**, to advise Investors, *inter alia*, that the next step at that time was for Hi-Rise to bring its Approval Motion, that Representative Counsel will attend to Distribution matters after the Approval Motion, and to provide information on Representative Counsel's offices and uninterrupted representation in light of the COVID-19 pandemic;

(b) "Update on Status of Proceeding" dated April 20, 2020, a copy of which is attached as **Appendix "U"**, to advise Investors, *inter alia*, the date of the Approval Motion, details in respect of Lanterra's Cross-Motion and the extension to the Closing Date, and, what it means to each Investor group (*i.e.,* to Registered Investors and Non-Registered Investors), if the extension is granted;

(c) "Update on Status of Proceeding and Settlement Approval Motion" dated April 23, 2020, a copy of which is attached as **Appendix "V"**, to advise Investors, *inter alia*, that the Court granted Representative Counsel's motion and issued the above-noted April 22 Order and that the Approval Motion and Cross-Motion were being adjourned to provide for settlement opportunity regarding the extended Closing Date;

(d) "Update on Status of Proceedings, Transaction Approval & Closing Date" dated May 7, 2020, a copy of which is attached as **Appendix "W"**, to advise Investors, *inter alia*, that the Court authorized Representative Counsel and the Official Committee to execute the First Amendment to the Minutes, that the Closing Date of the Lanterra Transaction was extended to November 16, 2020, that the Court granted the Approval & Vesting Oder, and what the extended Closing Date meant for the Investors;

(e) "Update on Status of Proceedings, Transaction Approval, Closing Date Extension & What This Means for Non-Registered Investors" dated May 13, 2020, a copy of which is attached as **Appendix "X"**, to reply to Investor inquiries regarding what the extension to the Closing Date means for Non-Registered Investors, in particular, the impact the extension to the Closing Date has on Non-Registered Investors' return of principal only, and their return on the total investment (compromised of principal and interest), and to further clarify the reasons for the extension to the Closing Date; and

(f) "Update on Distribution Process and Closing Date" dated October 9, 2020, a copy of which is attached as **Appendix "Y"**, to reply to Investor inquiries regarding the status of the Lanterra Transaction and Closing Date and to request that Investors provide Representative Counsel with their current addresses.

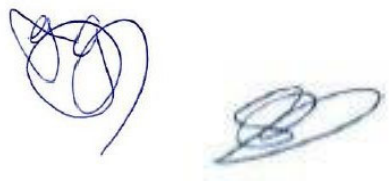
114. Representative Counsel seeks the Court's approval of its conduct and activities as set out herein.

IX. CONCLUSION

115. Representative Counsel prepares this Sixth Report in support of the relief sought in its Notice of Motion returnable November 23, 2020.

116. Representative Counsel thanks all counsel for their efforts thus far to complete the Lanterra Transaction, the Distribution and other matters under exceptionally difficult circumstances. In addition, Representative Counsel thanks Noor Al-Awqati for her ongoing assistance, particularly in light of the extremely voluminous records involved.

All of which is respectfully submitted at Toronto, Ontario this 6th day of November, 2020.



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 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.

its Post-Appointment Fees

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;

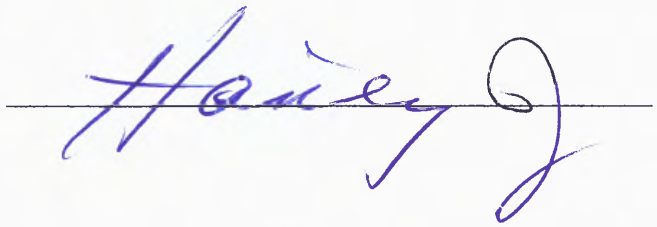
(b) further directions to pursuant to section 60 of the *Trustee Act* as are appropriate to permit it to carry out its role in a manner consistent with the LPA and MAA and its duties at law; and

(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.



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 ~~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 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

John N. Birch LSO #: 38968U
Tel: 416.860.5225
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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.

9:30 A.M

H

COUNSEL - SLIP

COURT FILE NO. CV-19-616261-00CL DATE: MAR 22, 2019

No. ON LIST 4A

TITLE OF PROCEEDING HI-RISE CAPITAL LTD.

COUNSEL FOR: Plaintiff (s) Applicant (s) Petitioner (s) Stephanie Vaudan's counsel for Hi-Rise

Phone & Fax No
416-860-6617
416-642-7145

COUNSEL FOR: Defendant (s) Respondent (s)

Phone & Fax No

Stephanie DeCosta
~~Counsel to~~ proposed Receiver
(T) 416-595-2552
(F) 414-595-8695

JOHN FINNIGAN
for Financial Services Commission Ontario
(FSCO)

(T) 416-304-0558
(F) 416-304-1313

March 22, 2019

The attached order shall issue on the

consent of the parties.
2-hour hearing scheduled
with ALJ on April 4/19
at 10AM.

Hearing

APPENDIX B

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	MONDAY THE 15th
	)	
	)	
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 "1" to the First Report, be and is hereby sealed, pending further Order of the Court.

Hainey J.

ENTERED AT / INSCRIT À 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

COUNSEL SLIP

COURT FILE NO. CV-19-00616261-00CL DATE: APR 15 2019

No. ON LIST 8

TITLE OF PROCEEDING Hi-Rise Capital Ltd v. Superintendent of Financial Services et al

COUNSEL FOR: Plaintiff (s) / Applicant (s) / Petitioner (s)
Stephanie De Carlo Representative Counsel
(T) 416 595 2652
(F) 416-595-8695
(e) sdecarlo@millerthomson.com
Phone & Fax No
Email: rory@rorymcgovernpc.com

COUNSEL FOR: Defendant (s) / Respondent (s)
Nadeem Ghori and Uzma Ghori
Phone & Fax No
ph 416-938-7679
fax 647-559-9191
Email: rory@rorymcgovernpc.com

PULAT YUNUSOV FOR DAVID POZO
PULAT@LAWTO.CA
416-628-5521
647-933-1171 (fax)

Respondent: Superintendent of Financial Services
Tamara Markovic
tmarkovic@tgf.ca
416-304-0601
416-304-1313 (fax)

April 15, 2019

I am satisfied that the attached order should issue on

The Terms of the attached
para. 6 of my order
does not preclude
any official Committee
member from seeking
and obtaining independent
legal advice.

Harry J

There shall be a sealing
order on the terms of
para 7 of the order

Harry J

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.

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

January 9, 2020

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

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.

FOURTH 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**") 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 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. ("**Adelaide**"), in connection with the negotiation and implementation of a settlement with respect to such investments, except for those Investors who opted out of representation by Representative Counsel in accordance with the terms of the Appointment Order (the "**Opt Out Investors**"). A copy of the Appointment Order and Endorsement of Justice Hainey dated March 22, 2019 is attached as **Appendix "A"**.

2. While registered title to the Property is held by Adelaide, the main holding company and owner of Adelaide is 263 Holdings Inc. ("**Holdings**", and together with Adelaide, the "**Company**").

PURPOSE OF REPORT

3. On November 27, 2019, Representative Counsel, members of the Official Committee (as defined below), Hi-Rise, Adelaide, Meridian Credit Union Limited ("**Meridian**"), Lanterra Developments Ltd. ("**Lanterra**") and certain of the Opt Out Investors attended a Court-ordered mediation before the Honourable Mr. Justice McEwen (the "**Judicial Mediation**").

4. The Judicial Mediation was successful insofar as the parties agreed upon a settlement (the "**Settlement**"), which Representative Counsel and the Official Committee recommends to the Investors. The Settlement is memorialized in the Minutes of Settlement (the "**Minutes**") attached as **Appendix "B"** hereto.

5. The Settlement is subject to approval of the Investors and approval of the Court. Accordingly, Hi-Rise will be calling a second vote (the "**Vote**") in order to allow the Investors to vote on the Minutes and the terms of the Settlement. Details of the Vote are set out below.

6. If approved by Investors and sanctioned by the Court, the Settlement would allow the Company to move forward with a sale of the Property to Lanterra (the "**Lanterra Sale**") and the other transactions set out in the Minutes. If approved, the Lanterra Sale is expected to close on or before May 14, 2020 (the "**Closing Date**").

7. Representative Counsel has filed this Fourth Report for the purpose of advising the Court and the Investors that Representative Counsel and the Official Committee recommend that the Investors vote in favour of the Settlement. In addition to the setting out the relevant background facts, this Fourth Report includes the following:

(a) Details on the Lanterra Sale;

(b) The terms of the Settlement;

(c) The implications of the Settlement for Investors; and

(d) The bases upon which Representative Counsel and the Official Committee have made their recommendation.

TERMS OF REFERENCE

8. In preparing this Fourth Report and making the comments herein Representative Counsel has, where applicable, relied upon information prepared or provided by Hi-Rise and/or Adelaide, and information from other third-party sources (collectively, the "**Information**"). Certain of the information contained in this Fourth Report may refer to, or is based on, the Information. As the Information has been provided by third parties or has been obtained from documents filed with the Court in this matter, Representative Counsel has relied on the Information and, to the extent possible, has reviewed the Information for reasonableness. However, Representative Counsel has neither audited nor otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and accordingly, the Representative Counsel expresses no opinion or other form of assurance in respect of the Information.

BACKGROUND TO PROCEEDING

9. On March 21, 2019, Hi-Rise brought an application to the Court under section 60 of the *Trustee Act* (Canada) for, *inter alia*, the appointment of Representative Counsel, and a declaration that Hi-Rise has the power under the loan participation agreements ("**LPA**") and mortgage participation agreements ("**MPA**") with Investors to grant a discharge of the syndicated mortgage (the "**Syndicated Mortgage**") held for the benefit of the Investors over the Property in the event the proceeds received from the completion of a contemplated transaction relating to the Property are insufficient to pay the full amounts under the Syndicated Mortgage. A copy of Hi-Rise's Notice of Application is attached as **Appendix "C".**

10. As further set out in Hi-Rise's application, Hi-Rise is a mortgage broker and mortgage administrator licensed by the Superintendent of Financial Services of Ontario. Hi-Rise receives and advances, on behalf of Investors, funds to a variety of companies (each a "**Borrower**" and collectively the "**Borrowers**"), such as Adelaide, that undertake real property developments such as the Property. The terms on which Investors advance their funds and Hi-Rise administrators each Syndicated Mortgage are set out in the LPA and the MPA.

11. There are two mortgages registered on title to the Property. The first mortgage is registered in favour of Meridian Credit Union ("**Meridian**"), and the second mortgage (the "**Second Mortgage**") is registered in favour of both Hi-Rise and Community Trust Company ("**Community Trust**").

12. Investors invested in the Syndicated Mortgage through this Second Mortgage in one of two ways:

(a) **Registered Investors** participate in the Second Mortgage through Community Trust and hold their investments through registered plans including registered retirement savings plan; or

(b) **Non-Registered Investors** participate in the Second Mortgage through Hi-Rise.

13. Community Trust's interest in the Second Mortgage ranks ahead of Hi-Rise's interest. As such, in a liquidation scenario the Registered Investors are entitled to all of their unpaid principal and interest before Non-Registered Investors receive any payments.

14. The majority (*ie*, approximately 2/3, by both number and aggregate investment amount) of the Investors in the Syndicated Mortgage are Non-Registered Investors.

ESTABLISHMENT OF OFFICIAL COMMITTEE

15. Pursuant to the Appointment Order, Representative Counsel was directed to establish an Official Committee of Investors (the "**Official Committee**") in accordance with the process and procedure described in Schedule "B" attached to the Appointment Order.

16. Pursuant to the Order of the Honourable Mr. Justice Hainey dated April 15, 2019, the Official Committee was approved and constituted (the "**Official Committee Approval Order**", a copy of which is attached as **Appendix "D"**). There are currently 4 members of the Official Committee. Representative Counsel regularly consults with and takes instruction from the Official Committee.

APPOINTMENT OF INFORMATION OFFICER

17. Pursuant to the Order of the Honourable Mr. Justice Hainey dated September 17, 2019 (the "**IO Order**", a copy of which is attached as **Appendix "E"**), Alvarez & Marsal Canada Inc. was appointed as Information Officer (in such capacity, the "**Information Officer**").

18. 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 Representative Counsel, Hi-Rise, the Company, FSRA and Meridian, in respect of all matters relating to the Property, the Second 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 including a proposed joint venture with Lanterra (the "**Lanterra JV Transaction**"), and the financial implications of such proposed transactions (collectively, the "**Mandate**").

19. The Information Officer's finding were set out in a report dated October 7, 2019 (the "**IO Report**", a copy of which is attached hereto, without appendices, as **Appendix "F"**). Both Representative Counsel and the Official Committee accept the facts and conclusions set out in the IO Report. To date, none of the parties to this proceeding have disputed the contents of the IO Report.

THE 1ST MEETING & VOTE

20. In accordance with the terms of the Appointment Order, Hi-Rise called a meeting of Investors (the "**Meeting**"), in order to, among other things, allow Investors to vote on a proposed settlement that contemplated the Lanterra JV Transaction (the "**Original Settlement Proposal**").

21. Full details in respect of the Lanterra JV Transaction and the Original Settlement Proposal are set out in the IO Report.

22. In advance of the Meeting, Representative Counsel issued its Third Report, a copy of which is attached as **Appendix "G"** (without appendixes), to advise the Court and Investors of the Official Committee's recommendation that Investors vote against the Original Settlement Proposal, among other things.

23. On October 20, 2019, Representative Counsel hosted a Town Hall Meeting at the offices of Miller Thomson LLP in Toronto, in order to provide Investors with legal advice and its recommendation to vote against the Original Settlement Proposal, as well as to provide Investors with the opportunity to ask questions of Representative Counsel and the Official Committee in person. Those Investors that could not attend the Town Hall Meeting in person were provided with the option to request a video recording of the Town Hall Meeting, which was only made available to Investors that requested same. A copy of the Notice of Town Hall Meeting is attached as **Appendix "H"**.

24. On October 21, 2019, at the request of many Investors, Representative Counsel also published and delivered a Communication to Investors, a copy of which is attached as **Appendix "I"**, which offered a summary of the mortgages on the Property, the Lanterra JV Transaction, the terms of the Original Settlement Proposal and its implications to Investors,

25. Thereafter, the Meeting and the vote on the Original Settlement Proposal took place on October 23, 2019. Approximately 70.6% of voting Investors (*ie*, 285 Investors representing $24,542,125 in value) voted against the Original Settlement Proposal, and only 29.4% of voting Investors (*ie*, 119 Investors representing $10,202,272 in value) voted in favour of it.

26. Accordingly, the vote on the Original Settlement Proposal failed.

EVENTS FOLLOWING THE MEETING & VOTE

27. On October 28, 2019, Meridian, the first mortgagee on the Property, served an application to appoint a receiver over the assets, undertakings and properties of Adelaide (the "**Receivership Application**"), returnable November 1, 2019.

28. Pursuant to the Endorsement of Justice McEwen dated November 1, 2019, a copy of which is attached as **Appendix "J"**, the Receivership Application was adjourned to December 12, 2019 and the Judicial Mediation was scheduled for November 27, 2019.

29. On November 6, 2019, *The Globe & Mail* published an article titled, "Small Investors face losses on Toronto developer's debt woes", regarding Hi-Rise, the Property and Project, and

another project owned by Mr. Jim Neilas in Oakville, Ontario. A copy of the article is attached as **Appendix "K"**.

30. On November 14, 2019, Lanterra delivered an unsolicited cash offer to acquire100 percent of the Property for a purchase price of $66 million dollars payable immediately at closing (the "**Lanterra Cash Offer**"). A copy of the Lanterra Cash Offer is attached as **Appendix "L"**.

31. On November 21, 2019, in response to the Lanterra Cash Offer, the Company proposed a new settlement to Investors (the "**November 21 Offer**"), which was similar to the joint venture transaction under the Lanterra JV Transaction, but offered cash on closing in the amount of approximately $54,862,500 instead of the vendor-take back mortgage contemplated in the Original Settlement Proposal. The November 21 Offer also includes a debenture in the amount of $17,137,500 carrying interest at a rate of 6% percent per annum. A copy of the November 21 Offer is attached as **Appendix "M"**.

JUDICIAL MEDIATION

32. The parties attended the Judicial Mediation on November 27, 2019.

33. In the course of the Judicial Mediation, the parties were advised for the first time that Lanterra was no longer prepared to move forward with the Lanterra JV Transaction or any similar arrangement that contemplated the continuing involvement of the Company or its principal, Jim Neilas.

34. Lanterra advised that it was only prepared to move forward with a sale transaction in which it would acquire 100 percent of the Property. The parties reached a settlement agreement at the Judicial Mediation, which agreement is memorialized in the Minutes (previously attached as Appendix "B") and described in further detail below.

35. As noted above, Registered Investors participate in the Second Mortgage through Community Trust. In order to give effect to the Minutes of Settlement, Representative Counsel obtained an Order from Justice Conway dated December 20, 2019, which authorized Representative Counsel to instruct Community Trust to provide its consent and sign certain documents in connection with the Settlement. A copy of said Order is attached as **Appendix "N"**.

TERMS OF THE SETTLEMENT

36. The full terms and conditions of the Settlement are set out in the Minutes. The Minutes contemplate certain payments being made at the time of execution, and later at the Closing Date. The key terms and conditions are as follows:

(a) Lanterra will pay the amount of $69,000,000 (the "**Purchase Price**") in respect of its purchase of 100 percent of the Property, and expects to close the transaction by the Closing Date (being May 14, 2020).

(b) BMO has agreed to accept the amount of $649,000 on account of the real estate commission payable to it (the "**BMO Commission**"), for undertaking the process to market and sell the Property (the "**BMO Sales Process**") which will be paid as follows:

(i) Lanterra will contribute the amount of $216,500 towards the BMO Commission;

(ii) Mr. Neilas will contribute the amount of $216,000 towards the BMO Commission from the settlement amount payable to him under the Minutes (as further described below); and

(iii) Investors will contribute the amount of $216,500 towards the BMO Commission from the settlement amount payable to them under the Minutes (as further described below.

(c) Following the execution of the Minutes, the following occurred:

(i) Meridian was paid the amount of $1.55 million owing to it under its first mortgage on the Property. Lanterra advanced these funds in the form of a loan to Meridian, and will be repaid on the Closing Date. This loan (the "**Interest Payment Loan**") accrues interest at the rate of prime plus 2% per annum;

(ii) Meridian was paid the amount of $18,000 on account of a forbearance fee (*ie*, an amount payable in connection with Meridian's agreement to forbear from exercising its rights against the Company and/or the Property). Lanterra also advanced these funds in the form of a loan to Meridian, and will be repaid on the Closing Date. This loan (the "**Forbearance Fee Loan**") accrues interest at the rate of prime plus 2% per annum; and

(iii) As security for the Interest Payment Loan, Adelaide granted Lanterra a second-ranking mortgage on the Property (the "**Lanterra Mortgage**"). The Lanterra Mortgage ranks ahead of the Second Mortgage. In order to give effect to the Lanterra Mortgage, Hi-Rise agreed to subordinate the Second Mortgage to the Lanterra Mortgage and, in accordance with the Justice Conway Order, Representative Counsel instructed Community Trust to agree to the subordination.

(d) On the Closing Date, the following payments will occur:

(i) Meridian will be paid on account of its loan (including principal, interest and fees) owing as at that time under its first mortgage, estimated at approximately $16,921,274.67;

(ii) Lanterra will be repaid for the Interest Loan Payment and the Forbearance Fee Payment;

(iii) the amount of $4,000,000 will be paid to Mr. Jim Neilas (personally or through his corporation Neilas Inc.) in full satisfaction of any claims or interests in respect of the Property, less the $216,000 contribution to the BMO Commission, for a total settlement amount of $3,784,000;

(iv) Payment of professional fees secured by charges on title to the Property will be paid (*ie*, payment to Representative Counsel and the Information Officer). As set out below at paragraph 58, counsel to Hi-Rise will also be paid for its work in connection with the application under the *Trustee Act* and administering the Settlement. The aggregate amount of such

professional fees is estimated at approximately $976,000 as of the expected Closing Date (which amount includes an estimated reserve for post-closing matters that will require the work of professionals after the Closing Date); and

(v) The balance of the Purchase Price (*ie*, net of the payments described at subparagraphs (c)(i) to (iv) above and less the $216,500 contribution to the BMO Commission (the "**Investor Settlement Amount**") will be distributed to Investors and Opt Out Investors in the manner described in the Minutes, in full satisfaction of their claims. It is estimated that the Investor Settlement Amount available for distribution will be approximately $45,495,298.33.

IMPACT OF THE SETTLEMENT ON INVESTORS

37. Following closing of the Lanterra Sale, the Investor Settlement Amount shall be distributed among the Investors and Opt Out Investors as follows:

(a) Registered Investors will be paid the full amount of their principal and interest claims. The aggregate amount of the claims of Registered Investors is estimated at approximately $22,810,717.84 as of the expected Closing Date, composed of the amounts of $17,133,872.86 in respect of principal and $5,676,844.98 in respect of accrued and unpaid interest; and

(b) Non-Registered Investors will receive the remaining balance of the Investor Settlement Amount on a *pro rata* basis. The aggregate amount of the claims of Non Registered Investors is estimated at approximately $48,235,032.06 as of the expected Closing Date, composed of the amounts of $34,973,891.58 in respect of principal and $13,261,140.48 in respect of accrued and unpaid interest.

38. Based on the foregoing, it is anticipated that Non-Registered Investors will receive an aggregate amount of $22,684,580.49 in respect of their claims, equal to 64.86 percent of the amount of their principal investments and 47.03 percent of the amount of their principal investments and accrued and unpaid interest.

39. A summary (the "**Distribution Summary**") of the use of funds and estimated distributions under the Settlement is set out at **Appendix "O"**. The Distribution Summary is based on projected estimations only and has been calculated based on the current prime rate, and therefore, is subject to change. The Distribution Summary was prepared to provide Investors and the Court with an estimate of the expected distribution amounts following the Closing Date. The distribution will be subject to ordinary closing adjustments as at the Closing Date, and accordingly, the estimated numbers contained in the Distribution Summary are not final.

VOTE

40. As noted above, the Settlement is still subject to approval of the Investors and Opt Out Investors and approval of the Court.

41. Accordingly, Hi-Rise will be calling a second Vote. Representative Counsel understands that Hi-Rise will not call an in-person meeting like the first Meeting. Instead, Hi-Rise intends to deliver a voting form, which will permit Investors to submit their votes by mail or by fax only. Representative Counsel agrees with this proposed voting process, which will save significant costs.

42. Representative Counsel understands that the deadline for Investors to submit their votes had been scheduled for January 13, 2020, although this may be extended by Hi-Rise.

CUBE INVESTORS

43. Representative Counsel is advised that certain investors (the "**Cube Investors**") in another syndicated loan structure administered by Hi-Rise in connection with a development project on College Street in Toronto (the "**Cube Project**") were granted a beneficial interest in the Second Mortgage. Representative Counsel has been provided with sample documentation pursuant to which such interests were granted.

44. As a condition of the Settlement, Hi-Rise and Adelaide required that the Minutes be clear that the Cube Investors will be entitled to receive their respective entitlements to the Investor Settlement Amount and that the Cube Investors will be included in the release provided for by the Minutes. Representative Counsel does not act for the Cube Investors in respect of their investments in the Cube Project or any guarantees granted to them by Hi-Rise.

45. Hi-Rise has advised Representative Counsel that the Cube Investors who were granted a beneficial interest in the Second Mortgage are owed an amount of $884,305.12, composed of the amounts of $533,264.44 in respect of principal and $351,040.68 in respect of interest.

RECOMMENDATION REGARDING SETTLEMENT

46. The Official Committee recommends that Investors approve the Minutes and the Settlement. In reaching its conclusion, the Official Committee considered factors which included the following:

(a) The findings and conclusions set out in the IO Report;

(b) The potential benefits, costs and risks associated with alternative courses of action including the potential outcome of the Receivership Application and a sale of the Property through a Court-appointed receiver;

(c) The results of the BMO Sales Process. The Lanterra Sale is superior to any of the offers received through the BMO Sale Process;

(d) The quantum of "priority claims" asserted by Jim Neilas, Neilas Inc., the Company and their affiliates (collectively, the "**Neilas Entities**") as being payable in priority to the Investors. In this regard, the Neilas Entities claimed an approximate amount of $10,000,000 in such "priority claims". While to date, the veracity of the "priority claims" has not been tested, the Settlement settles these claims of the Neilas Entities for $4 million (*ie*, 40 cents on the dollar) and avoids the considerable costs, uncertainty and delay associated with resolving the "priority claims" through litigation. In addition, the prospect of lengthy litigation could have threatened the viability of the Lanterra Sale, and in any event, would delayed recoveries to Investors;

(e) Lanterra's agreement at the Judicial Mediation to increase the proposed Purchase Price of the Property from $66 million under the Lanterra Cash Offer to $69 million;

(f) Lanterra's experience, size, reputation and resources, and the resulting reduction in "closing risk" associated with the Lanterra Sale; and

(g) The quantum, certainty and speed of recoveries available for Investors under the Settlement. In particular, Investors will receive their distributions within a matter of a few short months, rather than the years contemplated in earlier settlement proposals.

47. It is possible that a sale of the Property through a Court-appointed receiver could generate a higher price than the Lanterra Sale. However, it is also possible that a receivership sale could generate a substantially lower price. A receivership could also bring significant delay, and further erosions to Investor recoveries as a result of receivership costs, ongoing interest accrual, and the "priority claims" of the Neilas Entities.

48. In light of the foregoing, the Official Committee is of the view that the Lanterra Sale, Settlement and the Minutes should be supported by the Investors.

49. Given that the Official Committee and Representative Counsel support the Lanterra Sale and the details of same are set out in this Fourth Report, Representative Counsel will not be calling a second Town Hall meeting. However, Representative Counsel will take inquiries from Investors and provide further communications to Investors as necessary.

PROFESSIONAL FEES

Representative Counsel

50. Pursuant to paragraph 17 of the Appointment Order, Representative Counsel shall be paid by Adelaide its reasonable fees, consisting of fees from and after the date of the Appointment Order incurred in its capacity as Representative Counsel (the "**Post-Appointment Fees**") up to a maximum amount of $200,000, or as may otherwise be ordered by this Court, which amount shall exclude the disbursements incurred by Representative Counsel (the "**Rep Counsel Charge**").

51. Pursuant to paragraph 18 of the Appointment Order, Representative Counsel was granted the Rep Counsel Charge on the Property as security for its Post-Appointment Fees, to rank in

priority to the Hi-Rise Mortgage, but subordinate to the first mortgage held by Meridian (updated amounts owing in respect of each are set out above).

52. Pursuant to the Order of the Honourable Mr. Justice Hainey dated September 7, 2019, the Rep Counsel Charge in respect of its Post-Appointment Fees was increased to a maximum of $400,000, or as may otherwise be ordered by the Court.

53. At such time, the Rep Counsel Charge was increased on the basis that Representative Counsel's mandate had continued for much longer and had been much more complex and confrontational with the Company than originally anticipated. The increase was required to fund Representative Counsel through the first Meeting in October 2019 and the first vote.

54. The first Meeting and vote were conducted on October 23, 2019. Since that period, Representative Counsel has continued to act for the benefit of the Investors, and has performed various tasks in connection with its mandate, including but not limited to, a considerable volume of communications with Investors as well as preparing materials for and attending the Judicial Mediation. Following the Judicial Mediation, Representative Counsel worked extensively with the parties toward finalizing the Minutes, negotiating ancillary documents and resolving remaining issues (including obtaining the Justice Conway Order). In addition, Representative Counsel anticipates continuing to communicate with Investors regarding the contents of this Fourth Report and the Settlement pending the Vote.

55. In the event that the Settlement is accepted, Representative Counsel expects to provide services to and on behalf of Investors including with respect to the following:

(a) Ongoing communications and assistance;

(b) Implementation of the terms of the Minutes;

(c) Assistance in the closing of the Lanterra Sale;

(d) Assistance in determining Investor claim amounts; and

(e) Distribution of funds to Investors.

56. In light of the foregoing, Representative Counsel respectfully requests that the amount of the Rep Counsel Charge be increased to a maximum of $600,000, or as may otherwise be ordered by the Court.

Information Officer

57. Pursuant to the IO Order, the Information Officer was granted a charge (the "**IO Charge**") in the maximum amount of $100,000. Despite effectively completing its Mandate by delivering the IO Report, the Information Officer has continued to provide information and assistance to Representative Counsel, the Official Committee and the Investors, and has incurred total fees and disbursements (including those of its legal counsel) in the approximate amount of $125,000. Representative Counsel acknowledges the value of the assistance that the Information Officer has continued to provide in respect of this matter despite exceeding the amount of the IO Charge.

Counsel to Hi-Rise

58. The within application under the *Trustee Act* was commenced by Cassels Brock & Blackwell LLP ("**Cassels**") on behalf of its client, Hi-Rise. In its Notice of Application, a copy of which is previously attached as Appendix "C", Hi-Rise sought payment to secure the fees of counsel to Hi-Rise (the "**Company Charge**") in priority to all other charges except the existing first mortgage in favour of Meridian.

59. As further set out in the Notice of Application, the Company Charge was sought on the basis that "…section 8(ii) of the LPA provides that, in the event of a default under the Syndicate Mortgage, Hi-Rise is entitled to retain the services of various professionals, including lawyers and, pursuant to section 4 of the LPA, such charges are to be paid out of monies recovered from Adelaide prior to the distribution of net proceeds to Investors."

60. Accordingly, payment to Cassels is included in the Minutes. Such payment is in respect of the work it has performed under the *Trustee Act* application that added value and benefit to Investors. Further, the Minutes contemplate payment on a go-forward in respect of Cassels services in fulfillment of Hi-Rise's duties as trustee under the Syndicated Mortgage structure through closing of the Lanterra Sale and the ultimate distribution to Investors.

Distribution of Proceeds

61. As contemplated by the Minutes, if the Settlement is approved then Representative Counsel will be heavily involved in the claims verification process and distribution of proceeds to Investors. Representative Counsel seeks authority (with the prior approval of the Official Committee) to obtain the assistance of an accounting firm, consultant or other third-party professional in connection with same, with a view to maximizing effectiveness and cost-efficiency.

CONCLUSION

62. For all of the foregoing reasons, Representative Counsel and the Official Committee recommend that Investors approve the Settlement, and that this Honourable Court grant the remaining relief requested herein.

All of which is respectfully submitted at Toronto, Ontario this 9th day of January, 2020.

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

Proceeding commenced at Toronto

FOURTH REPORT OF REPRESENTATIVE COUNSEL
(January 9, 2020)

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APPENDIX D

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.

MINUTES OF SETTLEMENT

WHEREAS on March 21, 2019, Hi-Rise Capital Ltd. ("**Hi-Rise**") brought an application to the Court in Court File No. CV-19-616261-00CL under section 60 of the *Trustee Act* (Canada) for, *inter alia*, the appointment of Representative Counsel (as hereinafter defined), and a declaration that Hi-Rise has the power under the loan participation agreements and mortgage participation agreements with the Investors (as hereinafter defined) to grant a discharge of the syndicated mortgage (the "**Syndicated Mortgage**") held for the benefit of the Investors over the Property (as hereinafter defined) in the event the net proceeds received from the completion of a contemplated sale transaction relating to the Property (the "**Transaction**") are insufficient to pay the full indebtedness under the Syndicated Mortgage (the "**Trustee Application**");

AND WHEREAS 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**") to represent all individuals and/or entities (collectively, the "**Investors**") holding an interest in the Syndicated Mortgage (each, a "**SMI**"), administered by 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. ("**Adelaide**"), in connection with the negotiation and implementation of a settlement with respect to such investments, except for those Investors who opted out of representation by Representative Counsel in accordance with the terms of the Appointment Order (collectively, the "**Opt-Out Investors**");

AND WHEREAS Adelaide is wholly owned by 263 Holdings Inc. ("**263 Holdings**");

AND WHEREAS BMO Capital Markets Real Estate Inc. ("**BMO**") was retained by 263 Holdings to market and sell the Property (the "**Sale Engagement**");

AND WHEREAS BMO has agreed to a reduced payment in the amount of $649,000, inclusive of harmonized sales tax, on account of the commission payable to it in respect of the Sale Engagement (the "**BMO Commission**");

AND WHEREAS pursuant to paragraph 27 of the Appointment Order, Hi-Rise is permitted to call, hold and conduct a meeting of all Investors in the Project, including the Opt-Out Investors, in order for such parties to consider and, if determined advisable, pass a resolution approving the Transaction and the net sale proceeds arising therefrom (the "**Vote**"). Paragraphs 28 to 31 of the Appointment Order set out a mechanism and rules for the Vote;

AND WHEREAS 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" to the Appointment Order (the "**Official Committee**");

AND WHEREAS pursuant to the Order of Justice Hainey dated April 15, 2019, the Official Committee was approved and constituted. There are currently four members of the Official Committee;

AND WHEREAS Meridian Credit Union Limited ("**Meridian**") commenced an application against Adelaide in Court File No. CV-19-00628145-00CL for the appointment of a receiver, without security, in respect of all of the assets, undertakings and properties of Adelaide (the "**Receivership Application**");

AND WHEREAS pursuant to the Endorsement of Justice McEwen dated November 1, 2019, the Receivership Application was adjourned to December 12, 2019 and a Judicial Mediation was scheduled for November 27, 2019 before Justice McEwen (the "**Judicial Mediation**");

AND WHEREAS the Parties (as defined below), together with Lanterra Developments Ltd. ("**Lanterra**"), being the proposed purchaser of the Property pursuant to the Transaction, and Meridian (though not a party to these Minutes of Settlement) attended at the Judicial Mediation;

AND WHEREAS the Receivership Application has now been adjourned sine die;

AND WHEREAS pursuant to the Order of Madam Justice Conway dated December 20, 2019, Representative Counsel is authorized on behalf of only the Investors as defined in the Appointment Order to instruct Community Trust Company to consent to the subordination of its mortgage registered on title to the Property, only in connection with this settlement, and is authorized to instruct Community Trust Company to execute any and all documents as may be necessary or required to give effect to same.

IN CONSIDERATION of the promises and the mutual covenants, agreements, representations and warranties expressed herein and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged by Lanterra and each of Jim Neilas, 263 Holdings, Hi-Rise, Adelaide and Representative Counsel and the Official Committee (collectively, the "**Parties**"), the Parties hereby agree to settle all matters raised in the Trustee Application on the following terms:

1. The Parties agree that the above-noted recitals are true and accurate.

2. Lanterra, or a designee, agrees to pay on the closing of the Transaction the amount of $69,000,000 (the "**Purchase Price**") in respect of its purchase of a 100% legal and beneficial interest in the Property. A portion of the Purchase Price shall be satisfied by way of the Deposit (as hereinafter defined) to be paid, in trust, to the lawyers for Adelaide, namely, McCarthy Tétrault LLP, with the balance to be distributed on the terms hereinafter set forth.

3. Upon the execution of these Minutes of Settlement by the Parties and Lanterra, the following shall occur forthwith:

   (a) Lanterra and Adelaide shall enter into an agreement of purchase and sale in respect of the Transaction (the "**APS**") which shall provide for, *inter alia*, (i) the Purchase Price, (ii) a deposit paid to McCarthy Tétrault LLP, in trust, in the

amount of $10,000 (the "**Deposit**"), (iii) a closing date of no later than May 14, 2020 (the "**Closing Date**"), (iv) limited representations and warranties customary in receivership sales, (v) closing conditions customary in receivership sales, and (vi) the issuance by the Court of an Approval and Vesting Order vesting the Property in Lanterra or its designee on closing free and clear of all encumbrances, in form satisfactory to Lanterra, acting reasonably;

(b) Lanterra will lend $18,000 to Adelaide, which loan shall accrue interest at the rate of prime plus 2% (the "**Forbearance Fee Loan**"), and Adelaide shall direct Lanterra to pay the $18,000 to Meridian on account of the forbearance fee owing by Adelaide to Meridian;

(c) Lanterra will lend $1,550,000 to Adelaide, which loan shall accrue interest at the rate of prime plus 2% (the "**Interest Payment Loan**"), and Adelaide shall direct Lanterra to pay the amount of $1,550,000 to Meridian on account of outstanding interest due and owing by Adelaide to Meridian;

(d) As security for the Interest Payment Loan, Adelaide shall grant in favour of Lanterra a second-ranking mortgage (the "**Lanterra Mortgage**") secured against title to the Property, which mortgage shall be on the same terms as and shall rank subordinate to the mortgage held by Meridian, but in priority to the mortgage held by Hi-Rise (the "**Hi-Rise Mortgage**") (and in such regard Hi-Rise agrees to subordinate the existing mortgage held by it). The costs associated with registering the Lanterra Mortgage on title to the Property shall be added to the amount of, and shall be secured by, the Lanterra Mortgage;

(e) Each of Lanterra and the Parties, or any of one of them, shall execute any and all documents as may be necessary to give effect to paragraphs 3(a)to 3(d), above.

4. Until the Closing Date, Adelaide shall (a) continue to operate the Property on the same basis as at the date of execution of these Minutes of Settlement; (b) continue to pay the operating expenses in respect of the Property that it is paying as at the date of execution of these Minutes

of Settlement, and will not be liable or responsible for any other expenses in respect of the Property; and (c) pay all remittances on account of harmonized sales tax or HST.

5. These Minutes of Settlement, including the Transaction and the terms noted in paragraph 9 below, shall be subject to approval of the Investors and the Court. Upon execution of these Minutes of Settlement by Lanterra and the Parties, Hi-Rise shall hold the Vote as soon as reasonably practicable in accordance with paragraphs 27 to 30 of the Appointment Order. Thereafter, and provided that the Vote passes by the margin provided for in paragraph 31 of the Appointment Order, Hi-Rise shall forthwith bring a motion to the Court in the Trustee Application in accordance with paragraph 31 of the Appointment Order:

(a) For approval of the Transaction and the Investor Settlement Amount;

(b) To permit and direct Hi-Rise to grant a discharge of the Hi-Rise Mortgage; and

(c) To issue an Approval and Vesting Order in form satisfactory to Lanterra and Representative Counsel, acting reasonably.

6. Upon execution of these Minutes of Settlement by Lanterra and the Parties, Representative Counsel shall be entitled to bring a motion within the Trustee Application for an order, substantially in the form attached as Appendix "A" to these Minutes of Settlement, and Lanterra and the Parties shall provide their written consent to same.

7. On the closing of the Transaction, each of Lanterra, 263 Holdings and the Investors (from the proceeds of the Investor Settlement Amount, as hereinafter defined) agrees to contribute one-third of the BMO Commission; provided, however, that the liability of 263 Holdings in respect of same shall be limited to the sum of $216,000.

8. On the closing of the Transaction, 263 Holdings agrees to pay to Lanterra the amount of $50,000 in respect of the breakage fee payable under a joint venture transaction contemplated between Adelaide and Lanterra pursuant to a term sheet made as of April 10, 2019, as amended from time to time.

9. On closing of the Transaction, Lanterra shall pay:

(a) To Aird & Berlis LLP in trust (on behalf of Meridian), the amounts owing as of the date of repayment (the "**Meridian Repayment Amount**") under the loan agreement between Meridian and Adelaide dated April 2, 2018 (as may be or have been subsequently amended, replaced, restated or supplemented from time to time, the "**Credit Agreement**") and/or the forbearance agreement between Meridian and Adelaide dated December 20, 2019, which amounts shall include principal, interest and amounts which may be or become owing for Meridian's fees, agent costs, reasonable professional fees and accrued interest at the rates set out in the Credit Agreement, which amounts shall be reviewed by Representative Counsel prior to such payment;

(b) To Stikeman Elliott LLP in trust (on behalf of Lanterra):

(i) the amounts owing to Lanterra as of the date of repayment under the Forbearance Fee Loan, which amounts shall be reviewed by Representative Counsel prior to payment;

(ii) the amounts owing to Lanterra as of the date of repayment under the Interest Payment Loan, which amounts shall be reviewed by Representative Counsel prior to payment, less $216,500 on account of Lanterra's contribution to the BMO Commission;

(iii) the sum of $50,000 on behalf of 263 Holdings in respect of the breakage fee payable under a joint venture transaction contemplated between Adelaide and Lanterra pursuant to a term sheet made as of April 10, 2019, as amended from time to time;

(c) To McCarthy Tétrault LLP in trust (on behalf of 263 Holdings), the sum of $3,734,000, representing the amount payable to 263 Holdings ($4,000,000 less 263 Holdings' contribution to the BMO Commission and the $50,000 breakage fee); and

(d) To Miller Thomson LLP in trust (to be distributed in accordance with paragraph 10), the balance of the Purchase Price remaining after payment of the amounts

required to be made to Aird & Berlis LLP in trust, Stikeman Elliott LLP in trust, and McCarthy Tétrault LLP in trust pursuant to paragraphs 9(a)to 9(c).

10. The amount paid to Miller Thomson LLP in trust pursuant to paragraph 9(d) shall be distributed by Miller Thomson LLP in the following order of priority:

(a) First, to professionals with charges on the Property in full satisfaction of the amounts secured by such charges registered on title to the Property as of the date of repayment, and to Representative Counsel (Miller Thomson LLP, in trust) a reasonable reserve amount to be held back in order to pay fees and disbursements of professionals with charges on the Property in respect of the implementation and completion of these Minutes of Settlement;

(b) Second, to BMO in full satisfaction of the BMO Commission;

(c) Third, to Cassels Brock & Blackwell LLP ("**Cassels**"),

(i) the sum of $146,223.00 (a discounted sum) to pay Cassels's legal fees, disbursements, and taxes for work done for Hi-Rise in regard to the Trustee Application, these Minutes of Settlement, and the Transaction (collectively, the "**Cassels Services**") over the period up to and including December 8, 2019, plus

(ii) the actual legal fees, disbursements, and taxes incurred by Hi-Rise for the period from and after December 9, 2019 to the date of closing of the Transaction in connection with Cassels Services, as evidenced by redacted invoices provided to Representative Counsel that set out details of numbers of hours billed by timekeepers on each date but with narrative details of activities redacted;

(d) Fourth, to set aside and pay over to Cassels a reasonable reserve for legal fees, disbursements, and taxes of Cassels in connection with Cassels Services required after the closing of the Transaction, such as services associated with the distribution of proceeds to Investors and any motion required to terminate the

Trustee Application (the "**Cassels Reserve**"), with the amount of the Cassels Reserve to be agreed upon by Cassels and Representative Counsel, acting reasonably, or, failing agreement, to be determined by the Court; and

(e) Fifth, to the Investors (the "**Distribution**") in full satisfaction of all claims each Investor may have in relation to the Property and the Project (in aggregate, the "**Investor Settlement Amount**"), and, for greater certainty, the amounts payable to Investors holding their investment through a registered plan shall be paid to Community Trust Company as trustee of the registered plans.

11. Upon payment of funds in accordance with paragraph 9, and for greater certainty, prior to any of the distributions in accordance with paragraph 10, Aird & Berlis LLP, Stikeman Elliott LLP, McCarthy Tétrault LLP and Miller Thomson LLP shall each execute a certificate in the form attached to the Approval and Vesting Order (the "**Certificate**") confirming receipt of the funds paid pursuant to paragraph 9 and deliver same to Lanterra. Upon delivery of the Certificate, the Property shall vest in Lanterra in accordance with the terms set out in the Approval and Vesting Order.

12. In the event there is a dispute in respect of the distributions set out in paragraph 10, Representative Counsel shall seek directions from the Court prior to such distributions being made.

13. Hi-Rise shall be responsible for preparing a list of the Investors, corresponding distribution entitlements and priorities of each of the Investors (together with appropriate documentation establishing same) from the Investor Settlement Amount (the "**Investor Distribution List**"). Solely for the purposes of ensuring that the Investor Settlement Amount is distributed in accordance with the respective entitlements of Investors, Representative Counsel shall be entitled to review the Investor Distribution List prior to any distribution of the Investor Settlement Amount. If there are disputes over Investors' entitlements or any part of the Investor Distribution List, Representative Counsel shall seek directions from the Court prior to its Distribution of the Investor Settlement Amount set out in paragraph 10(e). For greater certainty, Representative Counsel shall be entitled, in consultation with Hi-Rise, to delegate the task of Distribution of the Investor Settlement Amount as set out in paragraph 10(e).

14. Prior to effecting any Distribution of the Investor Settlement Amount, Representative Counsel shall obtain Court approval of the Investor Distribution List and the proposed mechanism for Distribution.

15. For greater certainty, the Investors as defined in these Minutes of Settlement shall include all Investors in the Project, including but not limited to those Investors whose investments were originally in the Cube Lofts Project at the property municipally known as 799 College Street, Toronto, but the Distribution shall be made in accordance with the relative priority that each of the Investors has (i.e., registered, non-registered, and subordinated), which priority information shall be provided by Hi-Rise and included in the Investor Distribution List in accordance with paragraph 13, above.

16. Notwithstanding that 263 Holdings is an Investor, 263 Holdings shall be excluded from the distribution to Investors from the Investor Settlement Amount. For greater certainty, 263 Holdings shall not receive a distribution or return on its SMI from the Investor Settlement Amount.

17. Hi-Rise shall have no liability for any failure by Representative Counsel or its agents or delegates to effect the Distribution in accordance with the Investor Distribution List.

18. Upon distribution of the amounts set out in paragraph 10 above, Representative Counsel and the Official Committee shall obtain a discharge order in the Trustee Application, and the Parties shall provide their written consent to same.

19. If on or prior to the Closing Date Adelaide, without lawful justification, refuses to perform its obligations under the APS or takes any action to frustrate the closing:

(a) Lanterra may make the payments otherwise required to be made by Lanterra under paragraph 9;

(b) If Lanterra makes the payments pursuant to paragraph 9, Representative Counsel shall execute a certificate substantially in the form attached to the Approval and Vesting Order upon receipt of written confirmation by Stikeman Elliott LLP that

the distribution amounts set out in paragraph 9, above, have been delivered (the "**Representative Counsel Certificate**") and deliver same to Lanterra; and

(c) Upon delivery of the Representative Counsel Certificate by Representative Counsel to Lanterra, the Property shall vest in Lanterra in accordance with the terms set out in the Approval and Vesting Order.

20. Each of Lanterra and the Parties shall each execute full and final mutual releases (the "**Releases**"), including full and final releases of all directors, officers and affiliates of Lanterra and the Parties (including their legal counsel), where applicable, in a form to be mutually agreed upon between counsel, which Releases shall include a carve out in respect of the activities and conduct of Representative Counsel and Hi-Rise solely in respect of the Distribution of the Investor Settlement Amount. Upon completion of the Distribution, each of Lanterra and the Parties shall execute a further full and final release in a form substantially similar to the Releases.

21. These Minutes of Settlement shall be construed in accordance with the laws of the Province of Ontario. Any dispute arising from these Minutes of Settlement shall be adjudicated by the Ontario Superior Court of Justice, Commercial List, and the Parties hereby attorn to the exclusive jurisdiction of this Court for this purpose.

22. These Minutes of Settlement and every covenant, provision and term herein contained shall enure to the benefit of and be binding upon each of Lanterra and the Parties and their respective heirs, executors, administrators, assigns, agents, advisors, consultants and other representatives.

23. Lanterra and each of the Parties agree to do and execute such further acts and documents as may be reasonably necessary or desirable to give effect to the covenants, provisions and terms of these Minutes of Settlement.

24. Any amendments to these Minutes of Settlement must be agreed to as between Lanterra and the Parties and must be in writing.

25. Each of Lanterra and the Parties acknowledges and agrees that:

(a) It has obtained independent legal advice or the opportunity to obtain legal advice;

(b) It has read these Minutes of Settlement in its entirety and has knowledge of the contents;

(c) It understands its respective rights and obligations under these Minutes of Settlement, the nature of these Minutes of Settlement, and the consequences of these Minutes of Settlement;

(d) It acknowledges that the terms of these Minutes of Settlement are fair and reasonable;

(e) It is entering into these Minutes of Settlement without any undue influence or coercion whatsoever; and

(f) It is signing these Minutes of Settlement voluntarily.

26. These Minutes of Settlement may be executed in counterparts, and by facsimile or electronic mail, each of which shall be deemed to be an original, all such separate counterparts shall together constitute one and the same instrument.

27. These Minutes of Settlement and the documents attached hereto, together with the executed Full and Final Mutual Release, represent the entire agreement among each of Lanterra and the Parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK – SIGNATURE PAGE TO FOLLOW]

DATED AT this _____ day of _____, 2019.

LANTERRA DEVELOPMENTS LTD.

Per: _____
Name: Christopher J. Wein
Title: Chief Operating Officer
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

Witness: _____ **JIM NEILAS**

: _____

DATED AT this _____ day of _____, 2019.

263 HOLDINGS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

ADELAIDE STREET LOFTS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT _____ this _____ day of _____, 2019.

LANTERRA DEVELOPMENTS LTD.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT Toronto this 20th day of December, 2019.

Witness: _____
Geoff R. Hall

JIM NEILAS

: _____

DATED AT Toronto this 20th day of December, 2019.

263 HOLDINGS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT Toronto this 20th day of December, 2019.

ADELAIDE STREET LOFTS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

HI-RISE CAPITAL LTD.

Per: _____

Name: NOOR AL-AWQATI
Title: COO
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____

Name:
Title:
(I have authority to bind the limited liability partnership)

DATED AT this _____ day of _____, 2019.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

DATED AT this _____ day of _____, 2019.

HI-RISE CAPITAL LTD.

Per: _____

Name:
Title:
(I have authority to bind the corporation)

DATED AT the City of Toronto this 23rd day of December, 2019.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel



Per: _____

Name: Gregory R. Azeff
Title: Partner
(I have authority to bind the limited liability partnership)

DATED AT this _____ day of _____, 2019.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

HI-RISE CAPITAL LTD.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____
Name:
Title:
(I have authority to bind the limited liability partnership)

DATED AT this 23rd day of December, 2019.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

DATED AT Toronto ON this 20th day of Dec, 2019.

Witness: Nima Ghanian

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

DATED AT this _____ day of _____, 2019.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

DATED AT Ottawa, ON this 23 day of Dec, 2019.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

DATED AT _____ this _____ day of _____, 2019.

Witness: _____

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

_____

DATED AT TORONTO this 20th day of December 2019.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

_____

DATED AT _____ this _____ day of _____, 2019.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

APPENDIX "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	THE
	)	
	)	
JUSTICE	)	DAY OF , 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 "**Adelaide**"), a corporation wholly owned by 263 Holdings Inc. ("**263 Holdings**") was heard this day at the Court House, 330 University Avenue, Toronto, Ontario,

UPON READING the Minutes of Settlement dated December 20, 2019 entered into in connection with this proceeding (the "**Minutes of Settlement**") and the consent of the parties, Hi-Rise, Adelaide, 263 Holdings, Representative Counsel, Meridian Credit Union Limited

("**Meridian**"), and Lanterra Developments Ltd., and upon hearing the submissions of Representative Counsel,

1. **THIS COURT ORDERS** that, subject to the encumbrances permitted by the Minutes of Settlement, title to the Property shall not be further encumbered by any person or entity pending further order of the Court, and any registration made on title to the Property shall be of no force or effect.

2. **THIS COURT ORDERS** that Adelaide shall not execute any lease or lease amendment in respect of the Property which specifies an expiration date later than May 14, 2020.

3. **THIS COURT ORDERS** that nothing in paragraph 1 of this Order shall prejudice the exercise of Meridian's rights against the Property, including with respect to its application bearing Court File No. CV-19-00628145-00CL, on seven (7) days' notice to each of the parties to the Minutes of Settlement.

HI-RISE	CAPITAL	LTD.	and	SUPERINTENDENT OF FINANCIAL SERVICES et. al.		Court File No.: CV-19-616261-00CL
Applicant				Respondents		

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

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

MINUTES OF SETTLEMENT

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

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.

FIRST AMENDMENT TO MINUTES OF SETTLEMENT

WHEREAS on December 20, 2019, Lanterra Developments Ltd. ("**Lanterra**"), Jim Neilas, 263 Holdings Inc., Adelaide Street Lofts Inc., Hi-Rise Capital Ltd., Miller Thomson LLP, solely in its capacity as court appointed Representative Counsel, Vipin Berry, in his capacity as court appointed member of the Official Committee, Michael Singh, in his capacity as court appointed member of the Official Committee, Nick Tsakonacos, in his capacity as court appointed member of the Official Committee, and Marco Arquilla, in his capacity as court appointed member of the Official Committee (collectively, the "**Parties**"), entered into the minutes of settlement attached hereto as Schedule "A" (the "**Minutes of Settlement**");

AND WHEREAS the Parties have agreed to extend the Closing Date of the Transaction to November 16, 2020 and to amend the Minutes of Settlement on and subject to the terms and conditions specified herein;

IN CONSIDERATION of the promises and the mutual covenants, agreements, representations and warranties expressed herein and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the Parties hereby agree as follows:

1. The Parties agree that the above-noted recitals are true and accurate.

2. All capitalized terms used and not otherwise defined in this First Amendment to Minutes of Settlement (the "**Amendment**") shall have the respective meanings ascribed thereto in the Minutes of Settlement.

3. Section 3(a) of the Minutes of Settlement is hereby deleted in its entirety and replaced with the following:

> "(a) Lanterra and Adelaide shall enter into an agreement of purchase and sale in respect of the Transaction (the "**APS**"), as amended, which shall provide for, *inter alia*, (i) the Purchase Price, (ii) a deposit paid to McCarthy Tétrault LLP, in trust, in the amount of $10,000 (the "**Deposit**"), (iii) a closing date of no later than November 16, 2020 (the "**Closing Date**"), (iv) limited representations and warranties customary in receivership sales, (v) closing conditions customary in receivership sales, and (vi) the issuance by the Court of an Approval and Vesting Order vesting the Property in Lanterra or its designee on closing free and clear of all encumbrances, in form satisfactory to Lanterra, acting reasonably;"

4. In consideration of the extension of the Closing Date, as provided for in Section 3 of this Amendment, Lanterra agrees to pay to Meridian the non-default interest due and owing by Adelaide to Meridian pursuant to the terms of the loan agreement dated April 2, 2018 (as may be or may have been subsequently amended, replaced, restated or supplemented from time to time, the "**Meridian Loan Agreement**"), for the period from May 15, 2020 to and including the Closing Date (the "**Extension Period**"), at the interest rate specified in the Meridian Loan Agreement, being the Prime Rate (as defined in the Meridian Loan Agreement) plus 2.00% per annum (the "**Extension Period Interest**"). The Extension Period Interest shall be compounded monthly during the Extension Period. On closing of the Transaction, in addition to the other amounts payable by Lanterra as specified in Section 9(d) of the Minutes of Settlement, Lanterra shall pay to Miller Thomson LLP in trust the Extension Period Interest. For greater certainty, this liability of Lanterra shall be in addition to the Purchase Price (as defined in the APS).

5. This Amendment shall be construed in accordance with the laws of the Province of Ontario. Any dispute arising from this Amendment shall be adjudicated by the Ontario Superior Court of Justice, Commercial List, and the Parties hereby attorn to the exclusive jurisdiction of this Court for this purpose.

6. This Amendment and every covenant, provision and term herein contained shall enure to the benefit of and be binding upon each of the Parties and their respective heirs, executors, administrators, assigns, agents, advisors, consultants and other representatives.

7. The Parties agree to do and execute such further acts and documents as may be reasonably necessary or desirable to give effect to the covenants, provisions and terms of this Amendment.

8. Each of the Parties acknowledges and agrees that:

(a) It has obtained independent legal advice or the opportunity to obtain legal advice;

(b) It has read this Amendment in its entirety and has knowledge of the contents;

(c) It understands its respective rights and obligations under this Amendment, the nature of this Amendment, and the consequences of this Amendment;

(d) It acknowledges that the terms of this Amendment are fair and reasonable;

(e) It is entering into this Amendment without any undue influence or coercion whatsoever; and

(f) It is signing this Amendment voluntarily.

9. In the case of any conflict between the terms and conditions of the Minutes of Settlement and the terms or conditions of this Amendment, the terms and conditions of this Amendment will prevail.

10. On and after the date of this Amendment, any reference to "these Minutes of Settlement" in the Minutes of Settlement and any reference to the Minutes of Settlement in any other agreements will mean the Minutes of Settlement, as amended by this Amendment. Except as specifically amended by this Amendment, the provisions of the Minutes of Settlement remain in full force and effect.

11. This Amendment may be executed in counterparts, and by facsimile or electronic mail, each of which shall be deemed to be an original, all such separate counterparts shall together constitute one and the same instrument. This Amendment becomes effective when executed by all of the Parties. After that time, it will be binding upon and enure to the benefit of the Parties and their respective heirs, executors, administrators, assigns, agents, advisors, consultants and other representatives.

12. This Amendment, the Minutes of Settlement and the documents attached thereto, together with the executed Full and Final Mutual Release, represent the entire agreement among the Parties.

[*signature page follows*]

DATED this 27th day of April, 2020.

LANTERRA DEVELOPMENTS LTD.

Per: 

(I have authority to bind the corporation)

DATED this _____ day of _____, 2020.

Witness: _____

JIM NEILAS

: _____

DATED this _____ day of _____, 2020.

263 HOLDINGS INC.

Per: _____

(I have authority to bind the corporation)

DATED this _____ day of _____, 2020.

ADELAIDE STREET LOFTS INC.

Per: _____

(I have authority to bind the corporation)

[*signature continues on next page*]

DATED this _____ day of _____, 2020.

LANTERRA DEVELOPMENTS LTD.

Per: _____

(I have authority to bind the corporation)

DATED this 27th day of April, 2020.

Witness: _____

JIM NEILAS

: _____

DATED this 27th day of April, 2020.

263 HOLDINGS INC.

Per: _____

(I have authority to bind the corporation)

DATED this 27th day of April, 2020.

ADELAIDE STREET LOFTS INC.

Per: _____

(I have authority to bind the corporation)

[*signature continues on next page*]

DATED this 27th day of April, 2020.

HI-RISE CAPITAL LTD.

Per: _____

(I have authority to bind the corporation)

DATED this _____ day of _____, 2020.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____

(I have authority to bind the limited liability partnership)

DATED this _____ day of _____, 2020.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

[*signature continues on next page*]

DATED this _____ day of _____, 2020.

HI-RISE CAPITAL LTD.

Per: _____

(I have authority to bind the corporation)

DATED this 27th day of April, 2020.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____

(I have authority to bind the limited liability partnership)

DATED this 27th day of April, 2020.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

Per: _____

[*signature continues on next page*]

DATED this 29th day of April, 2020.

Witness: _____

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

_____

DATED this _____ day of _____, 2020.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

_____

DATED this _____ day of _____, 2020.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

DATED this _____ day of _____, 2020.

Witness: _____

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

_____

DATED this 1st day of May, 2020.

Witness: Kathy Tsakonacos

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

Nick Tsakonacos

DATED this _____ day of _____, 2020.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

DATED this _____ day of _____, 2020.

Witness: _____

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

_____

DATED this _____ day of _____, 2020.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

_____

DATED this 30 day of April, 2020.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

SCHEDULE "A"

Minutes of Settlement

See attached.

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.

MINUTES OF SETTLEMENT

WHEREAS on March 21, 2019, Hi-Rise Capital Ltd. ("**Hi-Rise**") brought an application to the Court in Court File No. CV-19-616261-00CL under section 60 of the *Trustee Act* (Canada) for, *inter alia*, the appointment of Representative Counsel (as hereinafter defined), and a declaration that Hi-Rise has the power under the loan participation agreements and mortgage participation agreements with the Investors (as hereinafter defined) to grant a discharge of the syndicated mortgage (the "**Syndicated Mortgage**") held for the benefit of the Investors over the Property (as hereinafter defined) in the event the net proceeds received from the completion of a contemplated sale transaction relating to the Property (the "**Transaction**") are insufficient to pay the full indebtedness under the Syndicated Mortgage (the "**Trustee Application**");

AND WHEREAS 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**") to represent all individuals and/or entities (collectively, the "**Investors**") holding an interest in the Syndicated Mortgage (each, a "**SMI**"), administered by 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. ("**Adelaide**"), in connection with the negotiation and implementation of a settlement with respect to such investments, except for those Investors who opted out of representation by Representative Counsel in accordance with the terms of the Appointment Order (collectively, the "**Opt-Out Investors**");

AND WHEREAS Adelaide is wholly owned by 263 Holdings Inc. ("**263 Holdings**");

AND WHEREAS BMO Capital Markets Real Estate Inc. ("**BMO**") was retained by 263 Holdings to market and sell the Property (the "**Sale Engagement**");

AND WHEREAS BMO has agreed to a reduced payment in the amount of $649,000, inclusive of harmonized sales tax, on account of the commission payable to it in respect of the Sale Engagement (the "**BMO Commission**");

AND WHEREAS pursuant to paragraph 27 of the Appointment Order, Hi-Rise is permitted to call, hold and conduct a meeting of all Investors in the Project, including the Opt-Out Investors, in order for such parties to consider and, if determined advisable, pass a resolution approving the Transaction and the net sale proceeds arising therefrom (the "**Vote**"). Paragraphs 28 to 31 of the Appointment Order set out a mechanism and rules for the Vote;

AND WHEREAS 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" to the Appointment Order (the "**Official Committee**");

AND WHEREAS pursuant to the Order of Justice Hainey dated April 15, 2019, the Official Committee was approved and constituted. There are currently four members of the Official Committee;

AND WHEREAS Meridian Credit Union Limited ("**Meridian**") commenced an application against Adelaide in Court File No. CV-19-00628145-00CL for the appointment of a receiver, without security, in respect of all of the assets, undertakings and properties of Adelaide (the "**Receivership Application**");

AND WHEREAS pursuant to the Endorsement of Justice McEwen dated November 1, 2019, the Receivership Application was adjourned to December 12, 2019 and a Judicial Mediation was scheduled for November 27, 2019 before Justice McEwen (the "**Judicial Mediation**");

AND WHEREAS the Parties (as defined below), together with Lanterra Developments Ltd. ("**Lanterra**"), being the proposed purchaser of the Property pursuant to the Transaction, and Meridian (though not a party to these Minutes of Settlement) attended at the Judicial Mediation;

AND WHEREAS the Receivership Application has now been adjourned sine die;

AND WHEREAS pursuant to the Order of Madam Justice Conway dated December 20, 2019, Representative Counsel is authorized on behalf of only the Investors as defined in the Appointment Order to instruct Community Trust Company to consent to the subordination of its mortgage registered on title to the Property, only in connection with this settlement, and is authorized to instruct Community Trust Company to execute any and all documents as may be necessary or required to give effect to same.

IN CONSIDERATION of the promises and the mutual covenants, agreements, representations and warranties expressed herein and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged by Lanterra and each of Jim Neilas, 263 Holdings, Hi-Rise, Adelaide and Representative Counsel and the Official Committee (collectively, the "**Parties**"), the Parties hereby agree to settle all matters raised in the Trustee Application on the following terms:

1. The Parties agree that the above-noted recitals are true and accurate.

2. Lanterra, or a designee, agrees to pay on the closing of the Transaction the amount of $69,000,000 (the "**Purchase Price**") in respect of its purchase of a 100% legal and beneficial interest in the Property. A portion of the Purchase Price shall be satisfied by way of the Deposit (as hereinafter defined) to be paid, in trust, to the lawyers for Adelaide, namely, McCarthy Tétrault LLP, with the balance to be distributed on the terms hereinafter set forth.

3. Upon the execution of these Minutes of Settlement by the Parties and Lanterra, the following shall occur forthwith:

   (a) Lanterra and Adelaide shall enter into an agreement of purchase and sale in respect of the Transaction (the "**APS**") which shall provide for, *inter alia*, (i) the Purchase Price, (ii) a deposit paid to McCarthy Tétrault LLP, in trust, in the

amount of $10,000 (the "**Deposit**"), (iii) a closing date of no later than May 14, 2020 (the "**Closing Date**"), (iv) limited representations and warranties customary in receivership sales, (v) closing conditions customary in receivership sales, and (vi) the issuance by the Court of an Approval and Vesting Order vesting the Property in Lanterra or its designee on closing free and clear of all encumbrances, in form satisfactory to Lanterra, acting reasonably;

(b) Lanterra will lend $18,000 to Adelaide, which loan shall accrue interest at the rate of prime plus 2% (the "**Forbearance Fee Loan**"), and Adelaide shall direct Lanterra to pay the $18,000 to Meridian on account of the forbearance fee owing by Adelaide to Meridian;

(c) Lanterra will lend $1,550,000 to Adelaide, which loan shall accrue interest at the rate of prime plus 2% (the "**Interest Payment Loan**"), and Adelaide shall direct Lanterra to pay the amount of $1,550,000 to Meridian on account of outstanding interest due and owing by Adelaide to Meridian;

(d) As security for the Interest Payment Loan, Adelaide shall grant in favour of Lanterra a second-ranking mortgage (the "**Lanterra Mortgage**") secured against title to the Property, which mortgage shall be on the same terms as and shall rank subordinate to the mortgage held by Meridian, but in priority to the mortgage held by Hi-Rise (the "**Hi-Rise Mortgage**") (and in such regard Hi-Rise agrees to subordinate the existing mortgage held by it). The costs associated with registering the Lanterra Mortgage on title to the Property shall be added to the amount of, and shall be secured by, the Lanterra Mortgage;

(e) Each of Lanterra and the Parties, or any of one of them, shall execute any and all documents as may be necessary to give effect to paragraphs 3(a)to 3(d), above.

4. Until the Closing Date, Adelaide shall (a) continue to operate the Property on the same basis as at the date of execution of these Minutes of Settlement; (b) continue to pay the operating expenses in respect of the Property that it is paying as at the date of execution of these Minutes

of Settlement, and will not be liable or responsible for any other expenses in respect of the Property; and (c) pay all remittances on account of harmonized sales tax or HST.

5. These Minutes of Settlement, including the Transaction and the terms noted in paragraph 9 below, shall be subject to approval of the Investors and the Court. Upon execution of these Minutes of Settlement by Lanterra and the Parties, Hi-Rise shall hold the Vote as soon as reasonably practicable in accordance with paragraphs 27 to 30 of the Appointment Order. Thereafter, and provided that the Vote passes by the margin provided for in paragraph 31 of the Appointment Order, Hi-Rise shall forthwith bring a motion to the Court in the Trustee Application in accordance with paragraph 31 of the Appointment Order:

(a) For approval of the Transaction and the Investor Settlement Amount;

(b) To permit and direct Hi-Rise to grant a discharge of the Hi-Rise Mortgage; and

(c) To issue an Approval and Vesting Order in form satisfactory to Lanterra and Representative Counsel, acting reasonably.

6. Upon execution of these Minutes of Settlement by Lanterra and the Parties, Representative Counsel shall be entitled to bring a motion within the Trustee Application for an order, substantially in the form attached as Appendix "A" to these Minutes of Settlement, and Lanterra and the Parties shall provide their written consent to same.

7. On the closing of the Transaction, each of Lanterra, 263 Holdings and the Investors (from the proceeds of the Investor Settlement Amount, as hereinafter defined) agrees to contribute one-third of the BMO Commission; provided, however, that the liability of 263 Holdings in respect of same shall be limited to the sum of $216,000.

8. On the closing of the Transaction, 263 Holdings agrees to pay to Lanterra the amount of $50,000 in respect of the breakage fee payable under a joint venture transaction contemplated between Adelaide and Lanterra pursuant to a term sheet made as of April 10, 2019, as amended from time to time.

9. On closing of the Transaction, Lanterra shall pay:

(a) To Aird & Berlis LLP in trust (on behalf of Meridian), the amounts owing as of the date of repayment (the "**Meridian Repayment Amount**") under the loan agreement between Meridian and Adelaide dated April 2, 2018 (as may be or have been subsequently amended, replaced, restated or supplemented from time to time, the "**Credit Agreement**") and/or the forbearance agreement between Meridian and Adelaide dated December 20, 2019, which amounts shall include principal, interest and amounts which may be or become owing for Meridian's fees, agent costs, reasonable professional fees and accrued interest at the rates set out in the Credit Agreement, which amounts shall be reviewed by Representative Counsel prior to such payment;

(b) To Stikeman Elliott LLP in trust (on behalf of Lanterra):

(i) the amounts owing to Lanterra as of the date of repayment under the Forbearance Fee Loan, which amounts shall be reviewed by Representative Counsel prior to payment;

(ii) the amounts owing to Lanterra as of the date of repayment under the Interest Payment Loan, which amounts shall be reviewed by Representative Counsel prior to payment, less $216,500 on account of Lanterra's contribution to the BMO Commission;

(iii) the sum of $50,000 on behalf of 263 Holdings in respect of the breakage fee payable under a joint venture transaction contemplated between Adelaide and Lanterra pursuant to a term sheet made as of April 10, 2019, as amended from time to time;

(c) To McCarthy Tétrault LLP in trust (on behalf of 263 Holdings), the sum of $3,734,000, representing the amount payable to 263 Holdings ($4,000,000 less 263 Holdings' contribution to the BMO Commission and the $50,000 breakage fee); and

(d) To Miller Thomson LLP in trust (to be distributed in accordance with paragraph 10), the balance of the Purchase Price remaining after payment of the amounts

required to be made to Aird & Berlis LLP in trust, Stikeman Elliott LLP in trust, and McCarthy Tétrault LLP in trust pursuant to paragraphs 9(a)to 9(c).

10. The amount paid to Miller Thomson LLP in trust pursuant to paragraph 9(d) shall be distributed by Miller Thomson LLP in the following order of priority:

(a) First, to professionals with charges on the Property in full satisfaction of the amounts secured by such charges registered on title to the Property as of the date of repayment, and to Representative Counsel (Miller Thomson LLP, in trust) a reasonable reserve amount to be held back in order to pay fees and disbursements of professionals with charges on the Property in respect of the implementation and completion of these Minutes of Settlement;

(b) Second, to BMO in full satisfaction of the BMO Commission;

(c) Third, to Cassels Brock & Blackwell LLP ("**Cassels**"),

(i) the sum of $146,223.00 (a discounted sum) to pay Cassels's legal fees, disbursements, and taxes for work done for Hi-Rise in regard to the Trustee Application, these Minutes of Settlement, and the Transaction (collectively, the "**Cassels Services**") over the period up to and including December 8, 2019, plus

(ii) the actual legal fees, disbursements, and taxes incurred by Hi-Rise for the period from and after December 9, 2019 to the date of closing of the Transaction in connection with Cassels Services, as evidenced by redacted invoices provided to Representative Counsel that set out details of numbers of hours billed by timekeepers on each date but with narrative details of activities redacted;

(d) Fourth, to set aside and pay over to Cassels a reasonable reserve for legal fees, disbursements, and taxes of Cassels in connection with Cassels Services required after the closing of the Transaction, such as services associated with the distribution of proceeds to Investors and any motion required to terminate the

Trustee Application (the "**Cassels Reserve**"), with the amount of the Cassels Reserve to be agreed upon by Cassels and Representative Counsel, acting reasonably, or, failing agreement, to be determined by the Court; and

(e) Fifth, to the Investors (the "**Distribution**") in full satisfaction of all claims each Investor may have in relation to the Property and the Project (in aggregate, the "**Investor Settlement Amount**"), and, for greater certainty, the amounts payable to Investors holding their investment through a registered plan shall be paid to Community Trust Company as trustee of the registered plans.

11. Upon payment of funds in accordance with paragraph 9, and for greater certainty, prior to any of the distributions in accordance with paragraph 10, Aird & Berlis LLP, Stikeman Elliott LLP, McCarthy Tétrault LLP and Miller Thomson LLP shall each execute a certificate in the form attached to the Approval and Vesting Order (the "**Certificate**") confirming receipt of the funds paid pursuant to paragraph 9 and deliver same to Lanterra. Upon delivery of the Certificate, the Property shall vest in Lanterra in accordance with the terms set out in the Approval and Vesting Order.

12. In the event there is a dispute in respect of the distributions set out in paragraph 10, Representative Counsel shall seek directions from the Court prior to such distributions being made.

13. Hi-Rise shall be responsible for preparing a list of the Investors, corresponding distribution entitlements and priorities of each of the Investors (together with appropriate documentation establishing same) from the Investor Settlement Amount (the "**Investor Distribution List**"). Solely for the purposes of ensuring that the Investor Settlement Amount is distributed in accordance with the respective entitlements of Investors, Representative Counsel shall be entitled to review the Investor Distribution List prior to any distribution of the Investor Settlement Amount. If there are disputes over Investors' entitlements or any part of the Investor Distribution List, Representative Counsel shall seek directions from the Court prior to its Distribution of the Investor Settlement Amount set out in paragraph 10(e). For greater certainty, Representative Counsel shall be entitled, in consultation with Hi-Rise, to delegate the task of Distribution of the Investor Settlement Amount as set out in paragraph 10(e).

14. Prior to effecting any Distribution of the Investor Settlement Amount, Representative Counsel shall obtain Court approval of the Investor Distribution List and the proposed mechanism for Distribution.

15. For greater certainty, the Investors as defined in these Minutes of Settlement shall include all Investors in the Project, including but not limited to those Investors whose investments were originally in the Cube Lofts Project at the property municipally known as 799 College Street, Toronto, but the Distribution shall be made in accordance with the relative priority that each of the Investors has (i.e., registered, non-registered, and subordinated), which priority information shall be provided by Hi-Rise and included in the Investor Distribution List in accordance with paragraph 13, above.

16. Notwithstanding that 263 Holdings is an Investor, 263 Holdings shall be excluded from the distribution to Investors from the Investor Settlement Amount. For greater certainty, 263 Holdings shall not receive a distribution or return on its SMI from the Investor Settlement Amount.

17. Hi-Rise shall have no liability for any failure by Representative Counsel or its agents or delegates to effect the Distribution in accordance with the Investor Distribution List.

18. Upon distribution of the amounts set out in paragraph 10 above, Representative Counsel and the Official Committee shall obtain a discharge order in the Trustee Application, and the Parties shall provide their written consent to same.

19. If on or prior to the Closing Date Adelaide, without lawful justification, refuses to perform its obligations under the APS or takes any action to frustrate the closing:

(a) Lanterra may make the payments otherwise required to be made by Lanterra under paragraph 9;

(b) If Lanterra makes the payments pursuant to paragraph 9, Representative Counsel shall execute a certificate substantially in the form attached to the Approval and Vesting Order upon receipt of written confirmation by Stikeman Elliott LLP that

the distribution amounts set out in paragraph 9, above, have been delivered (the "**Representative Counsel Certificate**") and deliver same to Lanterra; and

(c) Upon delivery of the Representative Counsel Certificate by Representative Counsel to Lanterra, the Property shall vest in Lanterra in accordance with the terms set out in the Approval and Vesting Order.

20. Each of Lanterra and the Parties shall each execute full and final mutual releases (the "**Releases**"), including full and final releases of all directors, officers and affiliates of Lanterra and the Parties (including their legal counsel), where applicable, in a form to be mutually agreed upon between counsel, which Releases shall include a carve out in respect of the activities and conduct of Representative Counsel and Hi-Rise solely in respect of the Distribution of the Investor Settlement Amount. Upon completion of the Distribution, each of Lanterra and the Parties shall execute a further full and final release in a form substantially similar to the Releases.

21. These Minutes of Settlement shall be construed in accordance with the laws of the Province of Ontario. Any dispute arising from these Minutes of Settlement shall be adjudicated by the Ontario Superior Court of Justice, Commercial List, and the Parties hereby attorn to the exclusive jurisdiction of this Court for this purpose.

22. These Minutes of Settlement and every covenant, provision and term herein contained shall enure to the benefit of and be binding upon each of Lanterra and the Parties and their respective heirs, executors, administrators, assigns, agents, advisors, consultants and other representatives.

23. Lanterra and each of the Parties agree to do and execute such further acts and documents as may be reasonably necessary or desirable to give effect to the covenants, provisions and terms of these Minutes of Settlement.

24. Any amendments to these Minutes of Settlement must be agreed to as between Lanterra and the Parties and must be in writing.

25. Each of Lanterra and the Parties acknowledges and agrees that:

(a) It has obtained independent legal advice or the opportunity to obtain legal advice;

(b) It has read these Minutes of Settlement in its entirety and has knowledge of the contents;

(c) It understands its respective rights and obligations under these Minutes of Settlement, the nature of these Minutes of Settlement, and the consequences of these Minutes of Settlement;

(d) It acknowledges that the terms of these Minutes of Settlement are fair and reasonable;

(e) It is entering into these Minutes of Settlement without any undue influence or coercion whatsoever; and

(f) It is signing these Minutes of Settlement voluntarily.

26. These Minutes of Settlement may be executed in counterparts, and by facsimile or electronic mail, each of which shall be deemed to be an original, all such separate counterparts shall together constitute one and the same instrument.

27. These Minutes of Settlement and the documents attached hereto, together with the executed Full and Final Mutual Release, represent the entire agreement among each of Lanterra and the Parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK – SIGNATURE PAGE TO FOLLOW]

DATED AT this _____ day of _____, 2019.

LANTERRA DEVELOPMENTS LTD.

Per: _____
Name: Christopher J. Wein
Title: Chief Operating Officer
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

Witness: _____ **JIM NEILAS**

: _____

DATED AT this _____ day of _____, 2019.

263 HOLDINGS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

ADELAIDE STREET LOFTS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT _____ this _____ day of _____, 2019.

LANTERRA DEVELOPMENTS LTD.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT Toronto this 20th day of December, 2019.

Witness: _____
Geoff R. Hall

JIM NEILAS

: _____

DATED AT Toronto this 20th day of December, 2019.

263 HOLDINGS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT Toronto this 20th day of December, 2019.

ADELAIDE STREET LOFTS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

HI-RISE CAPITAL LTD.

Per: _____

Name: NOOR AL-AWQATI
Title: COO
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____

Name:
Title:
(I have authority to bind the limited liability partnership)

DATED AT this _____ day of _____, 2019.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

DATED AT this _____ day of _____, 2019.

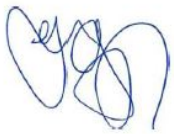
HI-RISE CAPITAL LTD.

Per: _____

Name:
Title:
(I have authority to bind the corporation)

DATED AT the City of Toronto this 23rd day of December, 2019.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel



Per: _____

Name: Gregory R. Azeff
Title: Partner
(I have authority to bind the limited liability partnership)

DATED AT this _____ day of _____, 2019.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

HI-RISE CAPITAL LTD.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____
Name:
Title:
(I have authority to bind the limited liability partnership)

DATED AT this 23rd day of December, 2019.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

DATED AT Toronto ON this 20th day of Dec, 2019.

Witness: Nima Ghanian

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

DATED AT this _____ day of _____, 2019.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

DATED AT Ottawa, ON this 23 day of Dec, 2019.

Witness:

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per:

DATED AT _____ this _____ day of _____, 2019.

Witness: _____

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

_____

DATED AT TORONTO this 20th day of December 2019.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

_____

DATED AT _____ this _____ day of _____, 2019.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

APPENDIX "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	THE
	)	
	)	
JUSTICE	)	DAY OF , 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 "**Adelaide**"), a corporation wholly owned by 263 Holdings Inc. ("**263 Holdings**") was heard this day at the Court House, 330 University Avenue, Toronto, Ontario,

UPON READING the Minutes of Settlement dated December 20, 2019 entered into in connection with this proceeding (the "**Minutes of Settlement**") and the consent of the parties, Hi-Rise, Adelaide, 263 Holdings, Representative Counsel, Meridian Credit Union Limited

("**Meridian**"), and Lanterra Developments Ltd., and upon hearing the submissions of Representative Counsel,

1. **THIS COURT ORDERS** that, subject to the encumbrances permitted by the Minutes of Settlement, title to the Property shall not be further encumbered by any person or entity pending further order of the Court, and any registration made on title to the Property shall be of no force or effect.

2. **THIS COURT ORDERS** that Adelaide shall not execute any lease or lease amendment in respect of the Property which specifies an expiration date later than May 14, 2020.

3. **THIS COURT ORDERS** that nothing in paragraph 1 of this Order shall prejudice the exercise of Meridian's rights against the Property, including with respect to its application bearing Court File No. CV-19-00628145-00CL, on seven (7) days' notice to each of the parties to the Minutes of Settlement.

HI-RISE	CAPITAL	LTD.	and	SUPERINTENDENT OF FINANCIAL SERVICES et. al.		Court File No.: CV-19-616261-00CL
Applicant				Respondents		

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

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Stephanie De Caria LSO#: 68055L
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Tel: 416.595.2652/Fax: 416.595.8695

Court-appointed Representative Counsel

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

MINUTES OF SETTLEMENT

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Court-appointed Representative Counsel

APPENDIX E

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.

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

INTRODUCTION

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**") 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 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. ("**Adelaide**"), in connection with the negotiation and implementation of a settlement with respect to such investments, except for those Investors who opted out of representation by Representative Counsel in accordance with the terms of the Appointment Order (the "**Opt Out Investors**"). A copy of the Appointment Order and Endorsement of Justice Hainey dated March 22, 2019 is attached as **Appendix "A"**.

2. While registered title to the Property is held by Adelaide, the main holding company and owner of Adelaide is 263 Holdings Inc. ("**Holdings**", and together with Adelaide, the "**Company**").

3. Pursuant to the Appointment Order, Representative Counsel was directed to establish an Official Committee of Investors (the "**Official Committee**") in accordance with the process and procedure described in Schedule "B" attached to the Appointment Order.

4. Pursuant to the Order and Endorsement of the Honourable Mr. Justice Hainey dated April 15, 2019, the Official Committee was approved and constituted (the "**Official Committee Approval Order**", copies of which are attached as **Appendix "B"**). There are currently 4 members of the Official Committee. Representative Counsel regularly consults with and takes instruction from the Official Committee.

COURT REPORTS OF REPRESENTATIVE COUNSEL

5. Pursuant to the Endorsement of the Honourable Mr. Justice Hainey dated April 4, 2019, a copy of which is attached hereto as **Appendix "C"**, Representative Counsel was granted leave to file reports with the Court, among other things.

6. Pursuant to the Official Committee Approval Order, the activities and conduct of Representative Counsel as disclosed in its First Report dated April 9, 2019 (the "**First Report**") were approved. Representative Counsel has yet to seek Court approval of its conduct and activities since the First Report.

7. Thereafter and in connection with these proceedings, Representative Counsel filed a Second Report dated September 13, 2019 (the "**Second Report**"), Third Report dated October 18, 2019 (the "**Third Report**") and Fourth Report dated January 9, 2020 (the "**Fourth Report**"), copies of which (without appendixes) are attached hereto as Appendixes **"D"**, **"E"** and **"F"**, respectively. All capitalized terms not otherwise defined herein shall have the meaning prescribed in the Fourth Report.

8. As set out below, Representative Counsel seeks Court approval of its activities and conduct as disclosed the Second Report, Third Report and Fourth Report, and as disclosed herein.

PURPOSE OF REPORT

9. As set out in the Fourth Report, on November 27, 2019, Representative Counsel, members of the Official Committee (as defined below), Hi-Rise, Adelaide, Meridian Credit Union Limited

("**Meridian**"), Lanterra Developments Ltd. ("**Lanterra**") and certain of the Opt Out Investors attended a Court-ordered mediation before the Honourable Mr. Justice McEwen (the "**Judicial Mediation**").

10. The Judicial Mediation was successful insofar as the parties agreed upon a settlement (the "**Settlement**"), which Representative Counsel and the Official Committee recommended to the Investors in its Fourth Report. The Settlement is memorialized in the Minutes of Settlement (the "**Minutes**", a copy of which is attached as **Appendix "G"** hereto). Full details in respect of the Settlement and the Minutes are set out in the Fourth Report.

11. The Settlement will allow the Company to move forward with a sale of 100% of the Property to Lanterra (the "**Lanterra Sale**") and the other transactions set out in the Minutes, and was subject to approval of Investors.

12. Accordingly and in accordance with the terms of the Appointment Order, Hi-Rise called a vote (the "**Vote**") in order to allow the Investors to vote on the Minutes and the terms of the Settlement, including the Lanterra Sale. Investors were required to cast their Vote by January 28, 2020 at 5:00 p.m. (the "**Voting Deadline**").

13. The Vote was successful, such that the Settlement and the Minutes have been approved by the Investors. Pursuant to section 31 of the Appointment Order, the Settlement and Minutes are now subject to approval by the Court. Accordingly, a motion has been scheduled for March 19, 2020, in order for Hi-Rise to seek Court approval of the Minutes and the Settlement, including the transaction contemplated therein (the "**Approval Motion**").

14. Accordingly, Representative Counsel files this Fifth Report to provide Investors and the Court with an update in respect of the Vote, to provide its recommendation that the Court grant the Approval Motion, and in support of Representative Counsel's motion for an Order:

(a) approving the conduct and activities of Representative Counsel as disclosed in its Second Report, Third Report, Fourth Report and this Fifth Report (collectively, the "**Court Reports**");

(b) removing the maximum amount of the Rep Counsel Charge (as defined below), or alternatively, increasing the Rep Counsel Charge to an amount that will enable Representative Counsel to complete its mandate;

(c) expanding the Post-Appointment Fees (as defined below) and Rep Counsel Charge (as defined below) to include disbursements incurred by Representative Counsel from and after the date of the Appointment Order;

(d) expanding the Rep Counsel Charge to include the Pre-Appointment Fees (as defined below);

(e) increasing the IO Charge (as defined below) to a maximum amount of $125,000 (plus HST), or as may otherwise be ordered by the Court;

(f) authorizing, but not obligating, Representative Counsel to obtain the assistance of an accounting firm, consultant or other third party professional as agent to Representative Counsel (the "**Distribution Agent**") in connection with the Distribution of the Investor Settlement Amount (as such terms are defined below); and

(g) that the fees and disbursements of the Distribution Agent, if retained, shall be a disbursement to Representative Counsel included in the Rep Counsel Charge;

THE VOTE AND REPRESENTATIVE COUNSEL'S CONDUCT & ACTIVITIES

Delivery of Fourth Report to Investors

15. In advance of the Vote, Representative Counsel prepared the Fourth Report, which sets out full details of the Minutes, the Settlement and the Lanterra Sale, as well as the payment scheme contemplated thereunder and the estimated recoveries to Investors.

16. In order to ensure that the terms of Settlement and Representative Counsel's recommendation to support the Settlement/Minutes were brought to the attention of all Investors, Representative Counsel completed the following:

(a) On or about January 9, 2020, Representative Counsel mailed hard copies of the Fourth Report (including the appendices) to the mailing address of every Investor on the mailing distribution list (Opt Out Investors were not included). In total, 659 copies of the Fourth Report were mailed. Attached as **Appendix "H"** is a copy of the cover letter dated January 9, 2020, included along with the Fourth Report in every package mailed to Investors;

(b) On January 9, 2020, Representative Counsel delivered a copy of the above-noted cover letter and Fourth Report to every Investor on its email distribution list. In total, there are 501 Investors on the email distribution list. Attached as **Appendix "I"** is a copy of the email delivered to Investors; and

(c) On January 9, 2020, Representative Counsel posted a copy of the Fourth Report on the website that it maintains at the following URL: https://www.millerthomson.com/en/hirise/ (the "**Website**"). Attached as **Appendix "J"** is a copy of the printout of the Website.

Communications to Investors

17. After delivering the Fourth Report to Investors, Representative Counsel received numerous inquiries from Investors by telephone and email regarding, *inter alia*, details surrounding the Vote (*i.e.* when Investors could expect to receive information from Hi-Rise regarding the Vote procedure), the difference between Registered versus Non-Registered Investors, and the distribution contemplated under the Minutes and the Settlement. In other words, many Investors inquired on what the Settlement meant for them.

18. Accordingly, on January 13, 2020, Representative Counsel prepared a communication to respond to the inquiries received by Investors (the "**Communication**"). Attached as **Appendix "K"** is a copy of the Communication, which provides a comprehensive breakdown of Registered vs. Non-Registered Investors, sample loan participation agreements (each an "**LPA**") for each type of Investor, and an explanation as to why Registered Investors would receive a full recovery on their investment and as to why Non-Registered Investors would not.

19. On January 13, 2020, a copy of the Communication was delivered to all Investors on the email distribution list and a copy was also posted to the Website. Attached as **Appendix "L"** is a copy of the email delivered to Investors.

20. Thereafter, Representative Counsel continued to receive inquiries from some Investors on an individual basis. Representative Counsel either directed the Investors to the Fourth Report or Communication when applicable, or in some cases, provided a direct response if the inquiry involved a discrete question.

21. Representative Counsel is of the view that all Investors have been properly and fully advised of the terms of Settlement and the recommendation of Representative Counsel and the Official Committee to support same.

The Vote

22. In connection with the Vote, Hi-Rise prepared an Information Statement dated January 13, 2020 (the "**Information Statement**"), which set out details regarding the Minutes, the Settlement and the Lanterra Sale that Investors were being asked to Vote on, among other things. Attached as **Appendix "M"** is a copy of the Information Statement.

23. Hi-Rise retained the TMX Group Limited ("**TMX**") to undertake the Vote process. In particular, TMX distributed the Information Statement to Investors, assigned control numbers to each Investor and prepared voting ballots for each Investor with said control numbers (each a "**Voting Ballot**"), and collected the completed Voting Ballots and tabulated the Vote results. A copy of a sample Voting Ballot is attached as **Appendix "N"**.

24. Pursuant to the Information Statement, Investors could cast their Vote by submitting their Voting Ballot to TMX by mail, email or by facsimile by the Vote deadline of January 28, 2020 at 5:00 p.m. (the "**Vote Deadline**").

25. Hi-Rise advised Representative Counsel that on or about January 22, 2020, TMX delivered a mass email in respect of the Vote to Investors and delivered a hard copy of the Vote package (*i.e.*, the Information Statement and Voting Ballot) to all Investors by regular mail.

Inquiries from Investors regarding Vote Procedure

26. After the Vote package was delivered by TMX to Investors, Representative Counsel received numerous inquiries from Investors regarding the Vote procedure. These inquiries included, but were not limited to, questions related to how Investors could cast their Vote, questions surrounding the control number and Voting Ballot (*i.e.,* some Investors advised they did not receive a control number, others advised that they received more than one Voting Ballot, among other things), and some Investors expressed that they had not received a Vote package in time to cast their Vote by the Voting Deadline.

27. Representative Counsel worked with both Hi-Rise and TMX to ensure that all Investor inquiries regarding the Vote procedure were addressed. In some instances, Representative Counsel put Investors directly in touch with representatives of Hi-Rise and/or TMX, and in other instances, obtained the information from Hi-Rise and/or TMX and provided it to the inquiring Investor.

28. On January 27, 2020 and in advance of the Voting Deadline, Representative Counsel delivered an email to Investors to: (i) advise Investors that TMX was administering the Vote procedure; (ii) provide the contact information of a representative at TMX to assist Investors with the Vote procedure and Voting Ballot inquiries; and, (iii) remind Investors of the Voting Deadline. Attached as **Appendix "O"** is a copy of Representative Counsel's email dated January 27, 2020.

29. Representative Counsel understands that Mr. Oliver Keung of TMX assisted Investors directly with their inquiries in respect of the Vote Procedure.

"Late Votes"

30. Between January 28, 2020 and January 30, 2020, certain Investors advised Representative Counsel that they only received their Vote package on either the day of the Voting Deadline or after, and therefore were unable to cast their Vote by the Voting Deadline.

31. In light of receiving the Vote package late (and by no fault of their own), Representative Counsel asked these specific Investors to cast their votes notwithstanding that the Voting Deadline had passed. This direction was made on the basis that if the "late votes" would be material to the

outcome of the Vote, Representative Counsel would seek Court approval to include these "late votes" in the final tabulation.

32. Representative Counsel also advised TMX to tabulate the "late votes" but not include same in the total Vote results.

VOTE RESULTS

Successful Vote Results

33. On January 31, 2020, Hi-Rise advised Representative Counsel of the total Vote results tabulated by TMX. Attached as **Appendix "P"** is a copy of the Summary of Votes Cast effective January 29, 2020 prepared by TMX, which Vote results are separated by Class 1 (Registered Investors) and Class 2 (Non-Registered Investors) (the "**Vote Results**").

34. The Vote Results indicate that the Settlement was overwhelmingly supported and that the Vote passed. The details are as follows:

(a) In total, 417 Investors voted, representing approximately 58.9% of Investors, broken down as follows:

(i) 195 Registered Investors voted, representing approximately 62% of Registered Investors; and

(ii) 222 Non-Registered Investors voted, representing approximately 56% of Non-Registered Investors.

(b) 100% of Registered Investors (representing $11,861,862 in value) voted in favour of the Settlement.

(c) Approximately 93% of Non-Registered Investors (representing $19,960,791 in value) voted in favour of the Settlement.

Impact of "Late Votes"

35. Hi-Rise also advised that a total of 18 Votes (5 by Registered Investors and 13 by Non Registered Investors) were received after the Voting Deadline. While these 18 votes are not counted in the above-noted Vote Results, TMX tabulated all of the "late votes" submitted and provided same to Representative Counsel. All such "late votes" were in favour of the Settlement.

36. In light of this information, Representative Counsel prepared a summary of the Vote Results, broken down by Investor type (*i.e.* Registered Investors versus Non-Registered Investors), and by votes cast by the Voting Deadline and after the Voting Deadline (the "**Vote Summary**"). A copy of the Vote Summary is attached as **Appendix "Q"**.

37. As set out in the Vote Summary, only 1.6% of Registered Investors casted their vote after the Voting Deadline, and only 3.3% of Non-Registered Investors casted their vote after the Voting Deadline.

38. Representative Counsel also calculated the impact of the "late votes" on the results of the Vote. In other words, Representative Counsel has considered what the outcome of the Vote would be if the "late votes" were counted. As set out in the Vote Summary, if all "late votes" are counted, the percentage of Non-Registered Investors that voted in favour of the Settlement increases to approximately 93.6%.

39. In light of the overwhelming support in favour of the Settlement, these "late votes" are not material to the outcome of the Vote. Accordingly, in Representative Counsel's view, there is no need for Court approval to count the "late votes" in the Vote Results, notwithstanding the delivery of the late Vote package to these certain Investors.

Communication to Investors

40. On January 31, 2020, Representative Counsel prepared a communication to all Investors, a copy of which is attached as **Appendix "R"**, therein advising of the Vote results, the impact of the "late votes" and the next steps in this proceeding.

41. On January 31, 2020, a copy of this communication was delivered to all Investors on the email distribution list and a copy was also posted to the Website. Attached as **Appendix "S"** is a copy of the email delivered to Investors.

Comparison of Vote Results to Initial Vote

42. During the course of these proceedings, the main holding company and owner of Adelaide entered into a joint venture agreement ("**JV Agreement**") with Lanterra to complete the development of the Property (the "**Initial Lanterra Transaction**").

43. Hi-Rise scheduled a meeting in the Fall of 2019, at which Investors were asked to vote on a proposed settlement (the "**Initial Proposed Settlement**") of the Investors' investments in the mortgage on the Property (the "**Initial Vote**"), which Initial Proposed Settlement was a result of the JV Agreement and the Initial Lanterra Transaction.

44. Representative Counsel and the Official Committee did not support the Initial Proposed Settlement, and recommended that Investors vote against the Initial Proposed Settlement at the Initial Vote.

45. The Initial Vote results were delivered on October 28, 2019. The Initial Vote was unsuccessful, the details of which are as follows:

(a) In total, 404 Investors voted, representing 61.77% of Investors;

(b) 29.364% of Investors (representing $10,202,272 in value) voted in favour of the Proposed Settlement; and

(c) 70.636% of Investors (representing $24,542,125 in value) voted against the Proposed Settlement.

46. In summary, the Vote Results demonstrate that more Investors voted at the current Vote (and by the Voting Deadline) than at the Initial Vote.

47. As set out in the Vote Summary, a total of 95.6% of Investors voted in favour of the current Settlement (representing $31,822,654.04 in value), in comparison to the only 29.3% (representing

$10,202,272 in value) of Investors that voted in favour of the Initial Proposed Settlement in the Fall of 2019.

RECOMMENDATION OF REPRESENTATIVE COUNSEL

48. For the reasons set out in the Fourth Report and in light of the successful Vote Results, Representative Counsel supports Hi-Rise's Approval Motion.

49. Representative Counsel respectfully recommends that the Honourable Court approve the Minutes and the Settlement, and the transactions contemplated thereunder.

CURRENT STATUS OF THE PROPERTY

50. It is a term of the Minutes that upon execution by the parties, Representative Counsel shall be entitled to bring a motion to the Court in these proceedings in order to obtain the Order in the form attached as Appendix "A" to the Minutes. In accordance with section 6 of the Minutes, on January 20, 2020, Representative Counsel attended at Court to obtain said Order.

51. Pursuant to the Order of the Honourable Mr. Justice Hainey dated January 20, 2020 (the "**January Order**"), *inter alia*, the Property shall not be further encumbered by any person or entity pending further Order of the Court, Adelaide shall not execute any lease or lease amendment in respect of the Property which specifies an expiration date later than May 14, 2020 (being the Closing Date), and nothing in said Order shall prejudice the rights of Meridian in respect of its Receivership Application. Attached as **Appendix "T"** is a copy of the January Order and Endorsement of Justice Hainey dated January 20, 2020.

52. On or about February 4, 2020, Lanterra registered a copy of the January Order on title to the Property. Attached as **Appendixes "U"** and **"V"**, respectively, are copies of the Application for Restrictions Based on Court Order receipted on February 4, 2020, and the updated parcel register in respect of the Property.

53. Accordingly, while title to the Property remains in Adelaide until the Closing Date, the Property is not to be encumbered or otherwise dealt with so that the status of the Property shall be maintained and preserved pending the Closing Date.

POST-COURT APPROVAL MATTERS

Distribution Matters

54. If approved by the Court, the Minutes contemplate that Representative Counsel shall be responsible for attending to the distribution (the "**Distribution**") of the balance of the settlement proceeds as set out in section 10(e) of the Minutes (the "**Investor Settlement Amount**") to the Investors.

55. In particular, section 13 of the Minutes provides, *inter alia*, that: (i) Hi-Rise shall be responsible for preparing a list of Investors and corresponding distribution entitlements and priorities of each of the Investors (together with appropriate documentation establishing same) (the "**Investor Distribution List**"); (ii) solely for the purpose of ensuring that the Investor Settlement Amount is distributed in accordance with the respective entitlements of Investors, Representative Counsel shall be entitled to review the Investor Distribution List prior to any Distribution of the Investor Settlement Amount; (iii) if there are disputes over the Investor entitlements or any part of the Investor Distribution List, Representative Counsel shall seek directions from the Court prior to effecting any Distribution; and, (iv) Representative Counsel shall be entitled, in consultation with Hi-Rise, to delegate the task of Distribution of the Investor Settlement Amount.

56. Section 14 of the Minutes provides that prior to effecting any Distribution of the Investor Settlement Amount, Representative Counsel shall obtain Court approval of the Investor Distribution List and proposed mechanism for Distribution.

57. Over the course of these proceedings, and since issuing its Fourth Report, many Investors have inquired on the status of their LPA and investment documentation. It has come to Representative Counsel's attention that there are a number of different iterations of the LPAs. In particular, certain of these LPA forms are inconsistent in respect of the subordination language contained in the most commonly used form of LPA.

58. These matters will need to be addressed and resolved prior to Representative Counsel undertaking any Distribution of the Investor Settlement Amount. Prior to effecting any Distribution, Representative Counsel will need to ensure that each Investor is properly categorized as a Registered or Non-Registered Investor. In order to do so, Representative Counsel anticipates

that this will involve a detailed review of each LPA, and where necessary, will seek advice and directions from the Court so that any issues regarding priorities and subordinations are appropriately addressed prior to Distribution.

59. Representative Counsel intends to work with Hi-Rise in order to undertake this task prior to the Closing Date, with the view to resolving all Distribution matters on a timely basis and effecting the Distribution of the Investor Settlement Amount to the Investors within 4 to 6 weeks of the Closing Date.

60. As set out in the Fourth Report, if the Settlement is approved then Representative Counsel will be heavily involved in the claims verification process and Distribution to Investors. Representative Counsel seeks authority from the Court (which authority will be exercised in consultation with the Official Committee) to obtain the assistance of a Distribution Agent in connection with same, if necessary, with a view to maximizing effectiveness and cost-efficiency in respect of the Distribution process.

61. Representative Counsel is of the view that retaining the Distribution Agent is the most cost effective manner in which to obtain assistance on the Distribution, as opposed to appointing a Distribution Agent separately and having that Distribution Agent appoint its own separate counsel. In Representative Counsel's view, the discrete task of attending to Distribution matters can be accomplished by Representative Counsel and the Distribution Agent, with the additional assistance of Hi-Rise.

62. Accordingly, Representative Counsel also seeks an Order that the fees and disbursements of the Distribution Agent, if retained, shall be a disbursement to Representative Counsel and included in the Rep Counsel Charge, as further described below.

Mutual Releases

63. If approved by the Court, paragraph 20 of the Minutes provides that the parties shall each execute a full and final mutual release of all directors, officers and affiliates of Lanterra and the remaining parties (and their legal counsel), in a form to be agreed upon between counsel (the "**Releases**"). The Releases shall include a carve out in respect of the activities and conduct of Hi-Rise and Representative Counsel solely in respect of the Distribution of the Investor Settlement

Amount. Paragraph 20 further provides that upon completion of the Distribution, the parties shall execute a further full and final release in a form substantially similar to the Releases.

64. Given that the Minutes and the Settlement have not yet been approved by the Court, the Releases have not been prepared or executed by the parties. If the Settlement is approved by the Court, Representative Counsel intends to prepare the Releases. Upon agreement of all counsel with respect to form, it is anticipated that the Releases will be executed by the parties and a further release will be executed upon completion of the Distribution at a later date.

COURT OFFICER CHARGES

Expansion of Post-Appointment Fees and Rep Counsel Charge

65. Pursuant to paragraph 17 of the Appointment Order, Representative Counsel shall be paid by Adelaide its reasonable fees, consisting of fees from and after the date of the Appointment Order incurred in its capacity as Representative Counsel (the "**Post-Appointment Fees**") up to a maximum amount of $200,000, or as may otherwise be ordered by the Court, which amount shall exclude the disbursements incurred by Representative Counsel.

66. Pursuant to paragraph 18 of the Appointment Order, Representative Counsel was granted a charge on the Property (the "**Rep Counsel Charge**") as security for its Post-Appointment Fees, to rank in priority to the Hi-Rise Mortgage, but subordinate to the first mortgage held by Meridian.

67. Under the current terms of the Appointment Order, the Post-Appointment Fees and the Rep Counsel Charge do not include the disbursements incurred by Representative Counsel from and after the date of the Appointment Order.

68. Pursuant to the Order of the Honourable Mr. Justice Hainey dated September 17, 2019, a copy of which is attached as **Appendix "W"**, the Rep Counsel Charge in respect of its Post-Appointment Fees was increased to a maximum of $400,000, or as may otherwise be ordered by the Court.

69. At such time, the Rep Counsel Charge was increased on the basis that Representative Counsel's mandate had continued for much longer and had been much more complex and confrontational with the Company than originally anticipated. The increase was required to fund

Representative Counsel through the first meeting of Investors in October 2019 and the Initial Vote. The amount did not contemplate a second Investor vote, the Judicial Mediation or the other many unforeseen complications associated with reaching a settlement.

70. For the reasons set out in the Fourth Report and in this Fifth Report, Representative Counsel expects to continue to provide services to and on behalf of Investors, including but not limited to, all matters related to the Distribution of the Investor Settlement Amount. In connection with these services, Representative Counsel anticipates to also incur disbursements, including but not limited to, the fees and disbursements of the Distribution Agent, if retained.

71. Accordingly, Representative Counsel respectfully requests that the Rep Counsel Charge be expanded to include disbursements from and after the date of the Appointment Order, and that the maximum amount of the Rep Counsel Charge be removed, or alternatively, be increased to an amount that will enable Representative Counsel to complete its mandate.

72. Notwithstanding the requested expansion to include disbursements incurred from and after the date of the Appointment Order, and the requested removal of maximum amount of the Rep Counsel Charge, the fees and disbursements of Representative Counsel will remain subject to Court approval.

Pre-Appointment Fees

73. In or around September 2018, prior to the Appointment Order, Miller Thomson LLP was engaged by Hi-Rise to act as counsel to a group of Investors, specifically, to act on their behalf in seeking a resolution to matters related to Adelaide, including recovery of funds advanced under the syndicated mortgage (the "**Engagement**").

74. The structure of the Engagement without a Court Order was unsustainable for Representative Counsel, as Miller Thomson LLP received direct communications from individual Investors (which necessitated countless conflict checks) and Miller Thomson LLP was unable to communicate to Investors due to concerns regarding potential conflicts of interest and *Canada's Anti-Spam Legislation* requirements, among other difficulties.

75. These reasons, among others, necessitated Hi-Rise's application for the appointment of Representative Counsel. A copy of Hi-Rise's Notice of Application dated March 14, 2019 is attached hereto as **Appendix "X"**.

76. Pursuant to such Engagement and as set out in the Notice of Application, Hi-Rise was to pay the fees and disbursements incurred by Miller Thomson LLP in connection with same (the "**Pre-Appointment Fees**").

77. Initially, Hi-Rise sought a court-ordered Administration Charge on the Property to secure the fees and disbursements of Representative Counsel, among other things. These included both the Pre-Appointment Fees in respect of Representative Counsel's services to Investors until that point, and all post-Appointment Order fees and disbursements.

78. However, as at the time the Appointment Order was granted, the Engagement was terminated[1] and the Rep Counsel Charge was only in respect of Post-Appointment Fees[2], excluding disbursements, as noted above.

79. Notwithstanding that Hi-Rise was required to pay Miller Thomson LLP's fees and disbursements prior to the Appointment Order, an amount of approximately $85,000 remains outstanding from this "pre-appointment" Engagement, and is not secured by the Rep Counsel Charge. All of this work performed by Representative Counsel pursuant to the Engagement was for the benefit of the Investors, would have to have been completed in any event, and was not duplicated subsequent to the granting of the Appointment Order. Representative Counsel requests that the terms of the Rep Counsel Charge be expanded to include these Pre-Appointment Fees.

Increase in IO Charge

80. Pursuant to the Order of the Honourable Mr. Justice Hainey dated September 17, 2019 (the "**IO Order**", a copy of which is attached as **Appendix "Y"**), Alvarez & Marsal Canada Inc. was appointed as Information Officer (in such capacity, the "**Information Officer**").

[1] See sections 7 to 9 of the Appointment Order.
[2] See sections 17 and 18 of the Appointment Order.

81. Pursuant to the IO Order, the Information Officer was granted a charge (the "**IO Charge**") in the maximum amount of $100,000 or as may otherwise be ordered by the Court. As set out in the Fourth Report, the Information Officer has completed its mandate and provided assistance to Representative Counsel in this proceeding, however it has incurred total fees and disbursements (including those of its legal counsel) in the approximate amount of $125,000, which amount is exclusive of HST.

82. Accordingly, Representative Counsel requests, on behalf of the Information Officer, that the amount of the IO Charge be increased to a maximum of $125,000 (plus HST), or as may otherwise be ordered by the Court.

83. Representative Counsel makes this request on behalf of the Information Officer in the within motion, as it is much more cost-effective for Representative Counsel to seek this relief than for the Information Officer to bring its own motion for an increase to the IO Charge (as the fees associated with the Information Officer bringing a motion for same would ultimately impact Investor recoveries under the Settlement).

CONCLUSION

84. For all of the foregoing reasons, Representative Counsel respectfully recommends that the Court grant the Approval Motion and approve the Settlement, the Minutes and the transactions contemplated thereunder, and that this Honourable Court grant the relief sought by Representative Counsel as set out herein and its Notice of Motion.

All of which is respectfully submitted at Toronto, Ontario this 12th day of March, 2020.



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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

Proceeding commenced at Toronto

FIFTH REPORT OF REPRESENTATIVE COUNSEL
(March 12, 2020)

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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.

SUPPLEMENTAL FIFTH REPORT OF MILLER THOMSON LLP, IN ITS CAPACITY AS COURT-APPOINTED REPRESENTATIVE COUNSEL

April 21, 2020

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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.

SUPPLEMENTAL FIFTH REPORT OF MILLER THOMSON LLP, IN ITS CAPACITY AS COURT-APPOINTED REPRESENTATIVE COUNSEL

INTRODUCTION

1. All capitalized terms shall have the same meaning prescribed to them in the Fifth Report of Representative Counsel dated April 6, 2020 (the "**Fifth Report**").

2. Further to the Fifth Report, Hi-Rise's Settlement Approval Motion and Representative Counsel's motion is returnable April 22, 2020 at 11:00 a.m. Since serving its respective motion materials, Lanterra has served a cross-motion to Hi-Rise's Settlement Approval Motion and Meridian has served application materials regarding its Receivership Application. Representative files this Supplemental Fifth Report for the purposes of updating the Court on these motions and to provide its position on same.

LANTERRA'S CROSS-MOTION

3. By letter to Representative Counsel dated April 7, 2020, Lanterra requested Representative Counsel's agreement to an extension to the Closing Date.[1] Due to the fact that an extension to the Closing Date would have different impacts on the financial recoveries to Registered Investors and

[1] See Exhibit "B" to the Affidavit of Christopher J. Wein sworn April 16, 2020, filed in respect of the Lanterra cross-motion.

Non-Registered Investors under the Settlement, Representative Counsel is not in a position to agree or disagree to such extension request. Shortly after receiving the above-noted letter, Representative Counsel advised Lanterra of same.

4. On Friday April 16, 2020, Lanterra served a cross-motion seeking an Order to extend the Closing Date in the Minutes of Settlement and the agreement of purchase and sale in respect of the Property (being a Closing Date of May 14, 2020) (the "**Cross-Motion**"). Lanterra is seeking an extension to the earlier of one of three dates, but the latest possible Closing Date under its extension request is December 15, 2020.

5. On April 20, 2020, Representative Counsel delivered a Communication to Investors, a copy of which is attached as **Appendix "A"**, to *inter alia*: (i) advise Investors on the Lanterra Cross-Motion, (ii) explain the different impacts that the Closing Date extension, if granted, would have on each group of Investors; and, (iii) advise that Representative Counsel will rely on the Court's direction and decision in this regard. A copy of the Communication dated April 20, 2020, was delivered by email to all Investors on the email distribution list and was posted on Representative Counsel's website.

MERIDIAN RECEIVERSHIP APPLICATION

Meridian's Position

6. In the evening of April 20, 2020, Meridian delivered an email, its Receivership Application and the Second Supplemental Affidavit of Bernhard Huber sworn April 20, 2020 (the "**Huber Affidavit**") in respect of same.

7. The Huber Affidavit indicates that in response to the Cross-Motion and by letter dated April 14, 2020 to Lanterra, Meridian offered to consider the extension of the Closing Date provided that, *inter alia*: (i) such extension was as limited as possible; (ii) Meridian's interest entitlements must continue to be kept current and it shall be paid a $25,000 extension fee; and, (iii) Lanterra must provide Meridian with a deposit of 5% of the total purchase price.[2]

[2] See paragraph 15 of the Hubert Affidavit and Exhibit "G" to the Huber Affidavit.

8. Lanterra did not agree to the above-noted terms. Meridian now takes the position that Lanterra has moved forward for an extension without any accommodation or compromise to Meridian, and Meridian lost confidence that it will be paid in the current circumstances with Lanterra at all in the current circumstances.[3] Accordingly, Meridian is seeking the appointment of a receiver to complete a court sanctioned sales process in order to consummate a transaction, instead of the Lanterra Transaction contemplated under the current Settlement.[4]

Lanterra's Offer to Meridian

9. Representative Counsel has been advised by Lanterra that in the late afternoon of Wednesday April 15, 2020 (the day after the above-noted letter), Lanterra offered to pay Meridian its interest payments, compounded monthly, that will continue to accrue from the current Closing Date (being May 14, 2020) to the new closing date (whenever such date may be under its extension request), with such interest payment to be made in a lump sum upon the new closing of the transaction (instead of on a current basis as requested by Meridian) (the "**Lanterra Offer**").

10. Meridian did not accept the Lanterra Offer, and instead, is seeking to revive its Receivership Application.

Representative Counsel's Position

11. From the outset, Representative Counsel has heavily resisted the appointment of a receiver in this case because it will be detrimental to the financial recovery of the Investors. After receiving Meridian's email and materials, Representative Counsel advised Meridian and all parties on the Service List in this proceeding that it opposes the Receivership Application and set out its reasons for same. Attached as **Appendix "B"** is a copy of said email dated April 20, 2020.

12. Thereafter, an email exchange took place whereby Meridian confirmed that they would not object to the closing of the Lanterra Transaction, provided that certain safeguards are put in place by Lanterra. Meridian confirmed that if the Closing Date extension is granted, it will seek the

[3] See paragraphs 18-20 of the Huber Affidavit.
[4] See paragraphs 21-22 of the Huber Affidavit.

appointment of a receiver. Attached as **Appendix "C"** is a copy of said email exchange dated April 20, 2020.

13. Further to the reasons set out in its email dated April 20, 2020, Representative Counsel opposes Meridian's Receivership Application for the following reasons:

(a) Irrespective of the issue of Lanterra's extension request, all parties to the Minutes of Settlement support the approval of the Settlement and Lanterra Transaction contemplated thereunder. The Minutes of Settlement and the Lanterra Transaction represent the best possible outcome for Investors. Meridian is the only party, as a non-party to the Minutes of Settlement, that wants to see an entirely different outcome;

(b) The value of Meridian's collateral (being the Property) is more than triple the amount of its indebtedness. Meridian has the comfort of knowing that in any process, whether under the current Settlement or a Receivership, it will be repaid in full;

(c) Even with an extended Closing Date, should one be granted by the Court, under the Lanterra Offer Meridian has the opportunity to receive full payment of its interest upon closing. Meridian does not like the timing of that payment. It is seeking payment of additional fees/a deposit, and wishes for its interest to be kept current by Lanterra. Irrespective of whether the Court grants the extension, this is not an opportunity for Meridian to capitalize;

(d) If a receiver was appointed, Meridian would only receive repayment in full upon closing of a new transaction. A receiver would never continue to service Meridian's debt before the sale of the Property. Effectively, Meridian finds itself in the same position regarding the timing of receiving repayment, whether closing the transaction under the current deal and Lanterra Offer or through a Receivership;

(e) Due to the current Covid-19 pandemic, the real estate market has taken a significant downturn in the last 60 days such that a marketing and sales process, as proposed by Meridian, is not a viable option. This has been noted by RBC Capital Markets,

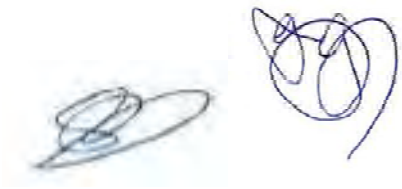
a reputable source which recently reported that: "The price action of the past 60 days in particular has been admittedly painful reminder of the potential volatility of listed real estate…. A number of unlisted real estate and private debt funds have *"gated"*…". Attached as **Appendix "D"** is an excerpt from RBC Capital Markets Real Estate Investment Trusts Quarterly Review and Sector Outlook - Q2 2020;

(f) The Property has already been tested on the market, twice. A marketing and sales process, if one is even possible at this time, would cause considerable delays and run up additional fees. In addition, there is the risk that the marketing and sales process would not generate a deal with the same economics as the Lanterra Transaction. All of these delays and risk will only continue to erode the financial position of the Investors, while Meridian will get repaid in full. Plus, it would take months to complete a transaction under a court-approved sales process in the current climate. Again, Meridian will likely find itself in the exact same position; and

(g) The Investors are the only group that stand to lose and that will suffer devastating effects by the appointment of a receiver. It is surprising to Representative Counsel that Meridian would take on the reputational risk by aggressively seeking to appoint a receiver, when the results could be so catastrophic for Investors, particularly as it would make no tangible difference to Meridian or its financial recovery. In Representative Counsel's view, the Investors have suffered enough.

14. For all of the above-noted reasons, Representative Counsel maintains that the Receivership Application ought to be dismissed. Further, Meridian's attempted revival of its Receivership Application is far from reasonable in the circumstances and is ill-advised. Should the Minutes of Settlement be approved by the Court, Representative Counsel opposes the later payment to Meridian for professional fees associated with this Receivership Application from the Purchase Price.

All of which is respectfully submitted at Toronto, Ontario this 21st day of April, 2020.



_____

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

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

Proceeding commenced at Toronto

SUPPLEMENTAL FIFTH REPORT OF REPRESENTATIVE COUNSEL (April 21, 2020)

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

Greg Azeff LSO#: 45324C
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Court-appointed Representative Counsel

APPENDIX F

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	WEDNESDAY THE 22ND
JUSTICE HAINEY	)	
	)	DAY OF APRIL, 2020

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 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 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 via telephone video conference, in Toronto, Ontario (the "**Video Conference Hearing**"),

ON READING the Notice of Motion and Second Report of Representative Counsel dated September 13, 2019, Third Report of Representative Counsel dated October 18, 2019, Fourth Report of Representative Counsel dated January 9, 2020, Fifth Report of Representative Counsel dated April 6, 2020 (the "**Fifth Report**") and the Supplemental Fifth Report of

Representative Counsel dated April 21, 2020 (the "**Supplemental Fifth Report**") (collectively, the "**Court Reports**"), the Appointment Order attached at Appendix "A" to the Fifth Report, the Minutes of Settlement attached as Appendix "H" to the Fifth Report (the "**Minutes of Settlement**"), and the Order of the Honourable Mr. Justice Hainey dated September 17, 2019 attached as Appendix "AA" to the Fifth Report (the "**IO Order**"), and on hearing the submissions of Representative Counsel and such other counsel present on the Video Conference Hearing, no one appearing for any other person on the Service List, although properly served as appears from the Affidavits of Service of Shallon Garrafa sworn April 6, 2020 and sworn April 21,2020, filed,

1. **THIS COURT ORDERS** that the time and method for service of the Notice of Motion and Motion Record, including service of the Supplemental Fifth Report, 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 and Supplemental Fifth Report is hereby dispensed with.

2. **THIS COURT ORDERS** that all capitalized terms not otherwise defined herein shall have the same meaning prescribed to them in the Appointment Order, the Minutes of Settlement or the IO Order.

3. **THIS COURT ORDERS** that the activities and conduct of Representative Counsel, as disclosed in the Court Reports, be and are hereby approved.

4. **THIS COURT ORDERS** that the maximum amount of the Post-Appointment Fees, to which Rep Counsel Charge relates, be and is hereby removed.

5. **THIS COURT ORDERS** that the Post-Appointment Fees and the Rep Counsel Charge be and hereby includes the disbursements incurred by Representative Counsel from and after the date of the Appointment Order.

6. **THIS COURT ORDERS** that the Rep Counsel Charge be and hereby includes all fees and disbursements incurred by Miller Thomson LLP prior to the date of the Appointment Order, and for greater certainty, all fees and disbursements incurred by Miller Thomson LLP in connection with the Engagement Letter.

7. **THIS COURT ORDERS** that the IO Charge be and is hereby increased to a maximum amount of $125,000.00 (plus HST) or as may otherwise be ordered by this Court.

8. **THIS COURT ORDERS** that Representative Counsel be and is hereby authorized, but not obligated, to obtain the assistance of an accounting firm, consultant or other third party professional as agent to Representative Counsel (the "**Distribution Agent**") in connection with the Distribution of the Investor Settlement Amount.

9. **THIS COURT ORDERS** that the fees and disbursements of the Distribution Agent, if retained, shall be a disbursement to Representative Counsel and shall be included in the Rep Counsel Charge.

10. **THIS COURT ORDERS** that Representative Counsel shall be entitled to seek a further Court Order or direction from the Court on any matters related to the implementation of the Minutes of Settlement, including but not limited to, matters related to the Distribution of the Investor Settlement Amount.



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

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Court-appointed Representative Counsel

CV-19-616261-00CL April 22, 2020

Re Hi-Rise Capital

(1) This motion was heard by videoconference in accordance with the changes to the operation of the Commercial List in light of the Covid-19 crisis and the Chief Justice's Notice to the Profession.

(2) This Motion is not opposed. I am satisfied that it should be granted on the terms of the attached order.

(3) This order is effective today and is not required to be entered.

Haines J.

APPENDIX G

CV-19-616261-00CL April 27, 2020

Re Hi-Rise Capital

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(1) This Motion was heard by videoconference (Zoom) in accordance with the changes to the operation of the Commercial List in light of the Covid-19 crisis and the Chief Justice's Notices to the Profession.

(2) Miller Thomson LLP, in its capacity as court-appointed Representative Counsel appointed pursuant to the Order of this Court dated March 21, 2019, and each of the court-appointed members of the Official Committee opposed

pursuant to the Order of the Court dated April 15, 2019 (for greater certainty, Vipin Bery, Michael Singh, Nick Tsakonas and Marco Arguilla) are hereby authorized and directed to execute the First Amendment to the Minutes of Settlement. If necessary, representatives counsel is hereby authorized to execute the First Amendment to the Minutes of Settlement on behalf of any one of the members of the Official Committee.

Hainey J.

APPENDIX H

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

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE MR.	)	MONDAY, THE 27th
JUSTICE HAINEY	)	DAY OF APRIL, 2020

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.

APPROVAL AND VESTING ORDER

THIS MOTION, made by Hi-Rise Capital Ltd. ("**Hi-Rise**") in its capacity as administrator and trustee in respect of a syndicated mortgage (the "**Syndicated Mortgage**") involving approximately 700 investors (the "**Investors**") that advanced funds to Adelaide Street Lofts Inc. ("**Adelaide**") and obtained security over the property known municipally as 263 Adelaide Street West, Toronto, Ontario and legally described in **Schedule H** attached hereto (the "**Property**"), for an order:

(a) Approving a sale transaction (the "**Transaction**") contemplated by (i) the Minutes of Settlement dated December 20, 2019 as amended by Amending Agreement dated April 27, 2020 (collectively, the "**Minutes of Settlement**"), a copy of which is attached hereto as **Schedule A**, among Hi-Rise, Adelaide, 263 Holdings Inc. ("**263 Holdings**"), Jim Neilas, Miller Thomson LLP in its capacity as the Court-appointed representative counsel on behalf of Investors ("**Representative Counsel**"), and the members of the Official Committee constituted pursuant to the Order of the Honourable Mr. Justice Hainey dated

April 15, 2019 (the "**Official Committee**") and Lanterra Developments Ltd. ("**Lanterra**") (Hi-Rise, Adelaide, 263 Holdings, Jim Neilas, Representative Counsel, the Official Committee and Lanterra shall be referred to collectively as the "**Parties**"), and (ii) the Agreement of Purchase and Sale made as of December 20, 2019, between Adelaide and Lanterra as amended by Amending Agreement dated April 27, 2020 (collectively, the "**APS**"), a copy of which is attached hereto as **Schedule B**;

(b) Providing certain authorizations and directions to Hi-Rise, Community Trust Company ("**CTC**") and other parties regarding the completion of the Transaction, including the discharge of the Syndicated Mortgage (as defined in the Minutes of Settlement);

(c) Vesting in Lanterra Adelaide's right, title and interest in and to the Purchased Assets (as defined in the APS); and

(d) Authorizing and directing the distribution of proceeds of the Transaction as set out in the Minutes of Settlement

and the cross-motion of Lanterra to amend the Minutes of Settlement and the APS were heard on April 22 and 27, 2020 by videoconference in Toronto, Ontario.

ON READING the Affidavit of Noor Al-Awqati sworn April 1, 2020, the Affidavit of Service of Patricia Hoogenband sworn April 3, 2020, filed, the Fourth Report, Fifth Report, and the Supplemental Fifth Report of Representative Counsel dated, respectively, January 9, April 6, and April 21, 2020, and the Affidavit of Christopher J. Wein dated April 16, 2020, and on hearing the submissions of Representative Counsel and counsel for each of Hi-Rise, Adelaide, the Superintendent of Financial Services, Meridian Credit Union Limited ("**Meridian**"), Lanterra, David Pozo, and Nadeem and Uzma Ghori, and other parties referred to on the counsel slip, no one else appearing for any other person on the service list,

1. **THIS COURT ORDERS** that all parties entitled to notice of this Motion have been served with the Motion Record of Hi-Rise, and that service of the Motion Record is

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

2. **THIS COURT ORDERS AND DECLARES** that the Minutes of Settlement are hereby approved, and execution of the Minutes of Settlement by Representative Counsel and the Official Committee are hereby authorized and approved, with such minor amendments as the Parties may deem necessary.

3. **THIS COURT ORDERS AND DECLARES** that the sales process undertaken by Bank of Montreal ("**BMO**") in respect of the Property was fair and reasonable.

4. **THIS COURT ORDERS AND DECLARES** that the Transaction is commercially reasonable and in the best interests of the Investors and is hereby approved, and the APS is hereby approved, with such minor amendments as the Parties may deem necessary. The Parties and CTC are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and the conveyance of the Purchased Assets to Lanterra or its designee.

5. **THIS COURT ORDERS** that, on the Closing Date (as defined in the APS), Lanterra shall pay to Miller Thomson LLP in trust the Extension Period Interest (as defined in the Minutes of Settlement) in accordance with the Minutes of Settlement.

6. **THIS COURT ORDERS AND DECLARES** that upon delivery to Lanterra of (a) the certificate contemplated by paragraph 11 of the Minutes of Settlement substantially in the form attached as **Schedule C** hereto (the "**Certificate**"), or (b) the Representative Counsel's certificate substantially in the form attached as **Schedule D** hereto (the "**Representative Counsel Certificate**"), all of Adelaide's right, title and interest in and to the Purchased Assets (as defined in the APS) (and listed on **Schedule E** hereto) shall vest absolutely in Lanterra or its designee free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, encumbrances, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether

secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Orders of the Honourable Mr. Justice Hainey dated March 21, 2019 and September 17, 2019; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on **Schedule F** hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule G) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

7. **THIS COURT ORDERS AND DIRECTS** Lanterra to file a copy of the Certificate or the Representative Counsel Certificate, as applicable, with the Court forthwith after receipt thereof.

8. **THIS COURT ORDERS** that, upon registration in the Land Registry Office No. 66 of an Application for Vesting Order in the form prescribed by the *Land Titles Act*, the Land Registrar is hereby directed to enter Lanterra or its designee as the owner of the Property in fee simple, and is hereby directed to delete and expunge from title to the Property all of the Claims listed in **Schedule F** hereto.

9. **THIS COURT ORDERS AND DECLARES** that Hi-Rise has the power, at law and under loan participation agreements (each, an "**LPA**") and mortgage administration agreements (each, an "**MAA**") that it entered into with Investors, to enter into and complete the Transaction despite the fact that the net proceeds of the Transaction, after paying prior-ranking debts and expenses, will be insufficient to pay in full the principal and interest owing under the Syndicated Mortgage.

10. **THIS COURT ORDERS, DECLARES AND DIRECTS** Representative Counsel is hereby authorized to execute and deliver on behalf of and in the name of CTC such documents as are required to permit the Transaction to be completed and proceeds to be distributed to Investors.

11. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Certificate or the Representative Counsel Certificate, as applicable, all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

12. **THIS COURT ORDERS, DECLARES AND DIRECTS** that the distribution of the Purchase Price in accordance with the Minutes of Settlement (the "**Distribution**") is hereby authorized and approved, with such minor amendments as the Parties may deem necessary. The Parties and CTC are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable to carry out the Distribution.

13. **THIS COURT ORDERS** that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of Adelaide and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of Adelaide;

the vesting of the Purchased Assets in Lanterra pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of Adelaide and shall not be void or voidable by creditors of Adelaide, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any

other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

14. **THIS COURT ORDERS** that, subject to further order of the court, from the date of this order until the completion of the sale of the Property on the Closing Date (as defined in the APS), no person shall take any steps to enforce security or other claims against the Property or exercise any rights in respect of mortgages registered against the Property including the Meridian Mortgage (collectively, the "**Mortgages**") or against guarantors of the Mortgages.

15. **THIS COURT ORDERS** that the receivership application brought by Meridian against Adelaide in Court File No. CV-19-00628145-00CL be and is hereby adjourned to a 9:30 a.m. chambers appointment before Justice Hainey on November 20, 2020.

Hainey J.

SUPERIOR COURT OF JUSTICE
ENTERED

MAY 07 2020

COUR SUPÉRIEURE DE JUSTICE
ENTRÉ

Schedule A — Minutes of Settlement

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.

FIRST AMENDMENT TO MINUTES OF SETTLEMENT

WHEREAS on December 20, 2019, Lanterra Developments Ltd. ("**Lanterra**"), Jim Neilas, 263 Holdings Inc., Adelaide Street Lofts Inc., Hi-Rise Capital Ltd., Miller Thomson LLP, solely in its capacity as court appointed Representative Counsel, Vipin Berry, in his capacity as court appointed member of the Official Committee, Michael Singh, in his capacity as court appointed member of the Official Committee, Nick Tsakonacos, in his capacity as court appointed member of the Official Committee, and Marco Arquilla, in his capacity as court appointed member of the Official Committee (collectively, the "**Parties**"), entered into the minutes of settlement attached hereto as Schedule "A" (the "**Minutes of Settlement**");

AND WHEREAS the Parties have agreed to extend the Closing Date of the Transaction to November 16, 2020 and to amend the Minutes of Settlement on and subject to the terms and conditions specified herein;

IN CONSIDERATION of the promises and the mutual covenants, agreements, representations and warranties expressed herein and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the Parties hereby agree as follows:

1. The Parties agree that the above-noted recitals are true and accurate.

2. All capitalized terms used and not otherwise defined in this First Amendment to Minutes of Settlement (the "**Amendment**") shall have the respective meanings ascribed thereto in the Minutes of Settlement.

3. Section 3(a) of the Minutes of Settlement is hereby deleted in its entirety and replaced with the following:

> "(a) Lanterra and Adelaide shall enter into an agreement of purchase and sale in respect of the Transaction (the "**APS**"), as amended, which shall provide for, *inter alia*, (i) the Purchase Price, (ii) a deposit paid to McCarthy Tétrault LLP, in trust, in the amount of $10,000 (the "**Deposit**"), (iii) a closing date of no later than November 16, 2020 (the "**Closing Date**"), (iv) limited representations and warranties customary in receivership sales, (v) closing conditions customary in receivership sales, and (vi) the issuance by the Court of an Approval and Vesting Order vesting the Property in Lanterra or its designee on closing free and clear of all encumbrances, in form satisfactory to Lanterra, acting reasonably;"

4. In consideration of the extension of the Closing Date, as provided for in Section 3 of this Amendment, Lanterra agrees to pay to Meridian the non-default interest due and owing by Adelaide to Meridian pursuant to the terms of the loan agreement dated April 2, 2018 (as may be or may have been subsequently amended, replaced, restated or supplemented from time to time, the "**Meridian Loan Agreement**"), for the period from May 15, 2020 to and including the Closing Date (the "**Extension Period**"), at the interest rate specified in the Meridian Loan Agreement, being the Prime Rate (as defined in the Meridian Loan Agreement) plus 2.00% per annum (the "**Extension Period Interest**"). The Extension Period Interest shall be compounded monthly during the Extension Period. On closing of the Transaction, in addition to the other amounts payable by Lanterra as specified in Section 9(d) of the Minutes of Settlement, Lanterra shall pay to Miller Thomson LLP in trust the Extension Period Interest. For greater certainty, this liability of Lanterra shall be in addition to the Purchase Price (as defined in the APS).

5. This Amendment shall be construed in accordance with the laws of the Province of Ontario. Any dispute arising from this Amendment shall be adjudicated by the Ontario Superior Court of Justice, Commercial List, and the Parties hereby attorn to the exclusive jurisdiction of this Court for this purpose.

6. This Amendment and every covenant, provision and term herein contained shall enure to the benefit of and be binding upon each of the Parties and their respective heirs, executors, administrators, assigns, agents, advisors, consultants and other representatives.

7. The Parties agree to do and execute such further acts and documents as may be reasonably necessary or desirable to give effect to the covenants, provisions and terms of this Amendment.

8. Each of the Parties acknowledges and agrees that:

(a) It has obtained independent legal advice or the opportunity to obtain legal advice;

(b) It has read this Amendment in its entirety and has knowledge of the contents;

(c) It understands its respective rights and obligations under this Amendment, the nature of this Amendment, and the consequences of this Amendment;

(d) It acknowledges that the terms of this Amendment are fair and reasonable;

(e) It is entering into this Amendment without any undue influence or coercion whatsoever; and

(f) It is signing this Amendment voluntarily.

9. In the case of any conflict between the terms and conditions of the Minutes of Settlement and the terms or conditions of this Amendment, the terms and conditions of this Amendment will prevail.

10. On and after the date of this Amendment, any reference to "these Minutes of Settlement" in the Minutes of Settlement and any reference to the Minutes of Settlement in any other agreements will mean the Minutes of Settlement, as amended by this Amendment. Except as specifically amended by this Amendment, the provisions of the Minutes of Settlement remain in full force and effect.

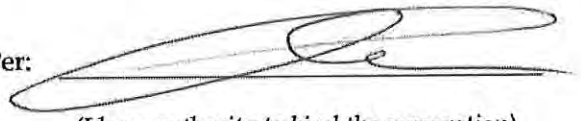
11. This Amendment may be executed in counterparts, and by facsimile or electronic mail, each of which shall be deemed to be an original, all such separate counterparts shall together constitute one and the same instrument. This Amendment becomes effective when executed by all of the Parties. After that time, it will be binding upon and enure to the benefit of the Parties and their respective heirs, executors, administrators, assigns, agents, advisors, consultants and other representatives.

12. This Amendment, the Minutes of Settlement and the documents attached thereto, together with the executed Full and Final Mutual Release, represent the entire agreement among the Parties.

[*signature page follows*]

DATED this 27th day of April, 2020.

LANTERRA DEVELOPMENTS LTD.

Per: 

(I have authority to bind the corporation)

DATED this _____ day of _____, 2020.

Witness: _____ **JIM NEILAS**

: _____

DATED this _____ day of _____, 2020.

263 HOLDINGS INC.

Per: _____

(I have authority to bind the corporation)

DATED this _____ day of _____, 2020.

ADELAIDE STREET LOFTS INC.

Per: _____

(I have authority to bind the corporation)

[signature continues on next page]

DATED this _____ day of _____, 2020.

LANTERRA DEVELOPMENTS LTD.

Per: _____

(I have authority to bind the corporation)

DATED this 27th day of April, 2020.

Witness: _____ **JIM NEILAS**

: _____

DATED this 27th day of April, 2020.

263 HOLDINGS INC.

Per: _____

(I have authority to bind the corporation)

DATED this 27th day of April, 2020.

ADELAIDE STREET LOFTS INC.

Per: _____

(I have authority to bind the corporation)

[*signature continues on next page*]

DATED this 27th day of April, 2020.

HI-RISE CAPITAL LTD.

Per: _____

(I have authority to bind the corporation)

DATED this _____ day of _____, 2020.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____

(I have authority to bind the limited liability partnership)

DATED this _____ day of _____, 2020.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

[*signature continues on next page*]

DATED this _____ day of _____, 2020.

HI-RISE CAPITAL LTD.

Per: _____

(I have authority to bind the corporation)

DATED this 27th day of April, 2020.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____

(I have authority to bind the limited liability partnership)

DATED this 27th day of April, 2020.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

Per: _____

[*signature continues on next page*]

DATED this 29th day of April, 2020.

Witness: _____

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

_____

DATED this _____ day of _____, 2020.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

_____

DATED this _____ day of _____, 2020.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

DATED this _____ day of _____, 2020.

Witness: _____

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

_____

DATED this 1st day of May, 2020.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

_____

DATED this _____ day of _____, 2020.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

DATED this _____ day of _____, 2020.

Witness: _____

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

_____

DATED this _____ day of _____, 2020.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

_____

DATED this 30 day of April, 2020.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

SCHEDULE "A"

Minutes of Settlement

See attached.

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.

MINUTES OF SETTLEMENT

WHEREAS on March 21, 2019, Hi-Rise Capital Ltd. ("**Hi-Rise**") brought an application to the Court in Court File No. CV-19-616261-00CL under section 60 of the *Trustee Act* (Canada) for, *inter alia*, the appointment of Representative Counsel (as hereinafter defined), and a declaration that Hi-Rise has the power under the loan participation agreements and mortgage participation agreements with the Investors (as hereinafter defined) to grant a discharge of the syndicated mortgage (the "**Syndicated Mortgage**") held for the benefit of the Investors over the Property (as hereinafter defined) in the event the net proceeds received from the completion of a contemplated sale transaction relating to the Property (the "**Transaction**") are insufficient to pay the full indebtedness under the Syndicated Mortgage (the "**Trustee Application**");

AND WHEREAS 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**") to represent all individuals and/or entities (collectively, the "**Investors**") holding an interest in the Syndicated Mortgage (each, a "**SMI**"), administered by 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. ("**Adelaide**"), in connection with the negotiation and implementation of a settlement with respect to such investments, except for those Investors who opted out of representation by Representative Counsel in accordance with the terms of the Appointment Order (collectively, the "**Opt-Out Investors**");

AND WHEREAS Adelaide is wholly owned by 263 Holdings Inc. ("**263 Holdings**");

AND WHEREAS BMO Capital Markets Real Estate Inc. ("**BMO**") was retained by 263 Holdings to market and sell the Property (the "**Sale Engagement**");

AND WHEREAS BMO has agreed to a reduced payment in the amount of $649,000, inclusive of harmonized sales tax, on account of the commission payable to it in respect of the Sale Engagement (the "**BMO Commission**");

AND WHEREAS pursuant to paragraph 27 of the Appointment Order, Hi-Rise is permitted to call, hold and conduct a meeting of all Investors in the Project, including the Opt-Out Investors, in order for such parties to consider and, if determined advisable, pass a resolution approving the Transaction and the net sale proceeds arising therefrom (the "**Vote**"). Paragraphs 28 to 31 of the Appointment Order set out a mechanism and rules for the Vote;

AND WHEREAS 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" to the Appointment Order (the "**Official Committee**");

AND WHEREAS pursuant to the Order of Justice Hainey dated April 15, 2019, the Official Committee was approved and constituted. There are currently four members of the Official Committee;

AND WHEREAS Meridian Credit Union Limited ("**Meridian**") commenced an application against Adelaide in Court File No. CV-19-00628145-00CL for the appointment of a receiver, without security, in respect of all of the assets, undertakings and properties of Adelaide (the "**Receivership Application**");

AND WHEREAS pursuant to the Endorsement of Justice McEwen dated November 1, 2019, the Receivership Application was adjourned to December 12, 2019 and a Judicial Mediation was scheduled for November 27, 2019 before Justice McEwen (the "**Judicial Mediation**");

AND WHEREAS the Parties (as defined below), together with Lanterra Developments Ltd. ("**Lanterra**"), being the proposed purchaser of the Property pursuant to the Transaction, and Meridian (though not a party to these Minutes of Settlement) attended at the Judicial Mediation;

AND WHEREAS the Receivership Application has now been adjourned sine die;

AND WHEREAS pursuant to the Order of Madam Justice Conway dated December 20, 2019, Representative Counsel is authorized on behalf of only the Investors as defined in the Appointment Order to instruct Community Trust Company to consent to the subordination of its mortgage registered on title to the Property, only in connection with this settlement, and is authorized to instruct Community Trust Company to execute any and all documents as may be necessary or required to give effect to same.

IN CONSIDERATION of the promises and the mutual covenants, agreements, representations and warranties expressed herein and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged by Lanterra and each of Jim Neilas, 263 Holdings, Hi-Rise, Adelaide and Representative Counsel and the Official Committee (collectively, the "**Parties**"), the Parties hereby agree to settle all matters raised in the Trustee Application on the following terms:

1. The Parties agree that the above-noted recitals are true and accurate.

2. Lanterra, or a designee, agrees to pay on the closing of the Transaction the amount of $69,000,000 (the "**Purchase Price**") in respect of its purchase of a 100% legal and beneficial interest in the Property. A portion of the Purchase Price shall be satisfied by way of the Deposit (as hereinafter defined) to be paid, in trust, to the lawyers for Adelaide, namely, McCarthy Tétrault LLP, with the balance to be distributed on the terms hereinafter set forth.

3. Upon the execution of these Minutes of Settlement by the Parties and Lanterra, the following shall occur forthwith:

   (a) Lanterra and Adelaide shall enter into an agreement of purchase and sale in respect of the Transaction (the "**APS**") which shall provide for, *inter alia*, (i) the Purchase Price, (ii) a deposit paid to McCarthy Tétrault LLP, in trust, in the

amount of $10,000 (the "**Deposit**"), (iii) a closing date of no later than May 14, 2020 (the "**Closing Date**"), (iv) limited representations and warranties customary in receivership sales, (v) closing conditions customary in receivership sales, and (vi) the issuance by the Court of an Approval and Vesting Order vesting the Property in Lanterra or its designee on closing free and clear of all encumbrances, in form satisfactory to Lanterra, acting reasonably;

(b) Lanterra will lend $18,000 to Adelaide, which loan shall accrue interest at the rate of prime plus 2% (the "**Forbearance Fee Loan**"), and Adelaide shall direct Lanterra to pay the $18,000 to Meridian on account of the forbearance fee owing by Adelaide to Meridian;

(c) Lanterra will lend $1,550,000 to Adelaide, which loan shall accrue interest at the rate of prime plus 2% (the "**Interest Payment Loan**"), and Adelaide shall direct Lanterra to pay the amount of $1,550,000 to Meridian on account of outstanding interest due and owing by Adelaide to Meridian;

(d) As security for the Interest Payment Loan, Adelaide shall grant in favour of Lanterra a second-ranking mortgage (the "**Lanterra Mortgage**") secured against title to the Property, which mortgage shall be on the same terms as and shall rank subordinate to the mortgage held by Meridian, but in priority to the mortgage held by Hi-Rise (the "**Hi-Rise Mortgage**") (and in such regard Hi-Rise agrees to subordinate the existing mortgage held by it). The costs associated with registering the Lanterra Mortgage on title to the Property shall be added to the amount of, and shall be secured by, the Lanterra Mortgage;

(e) Each of Lanterra and the Parties, or any of one of them, shall execute any and all documents as may be necessary to give effect to paragraphs 3(a)to 3(d), above.

4. Until the Closing Date, Adelaide shall (a) continue to operate the Property on the same basis as at the date of execution of these Minutes of Settlement; (b) continue to pay the operating expenses in respect of the Property that it is paying as at the date of execution of these Minutes

of Settlement, and will not be liable or responsible for any other expenses in respect of the Property; and (c) pay all remittances on account of harmonized sales tax or HST.

5. These Minutes of Settlement, including the Transaction and the terms noted in paragraph 9 below, shall be subject to approval of the Investors and the Court. Upon execution of these Minutes of Settlement by Lanterra and the Parties, Hi-Rise shall hold the Vote as soon as reasonably practicable in accordance with paragraphs 27 to 30 of the Appointment Order. Thereafter, and provided that the Vote passes by the margin provided for in paragraph 31 of the Appointment Order, Hi-Rise shall forthwith bring a motion to the Court in the Trustee Application in accordance with paragraph 31 of the Appointment Order:

(a) For approval of the Transaction and the Investor Settlement Amount;

(b) To permit and direct Hi-Rise to grant a discharge of the Hi-Rise Mortgage; and

(c) To issue an Approval and Vesting Order in form satisfactory to Lanterra and Representative Counsel, acting reasonably.

6. Upon execution of these Minutes of Settlement by Lanterra and the Parties, Representative Counsel shall be entitled to bring a motion within the Trustee Application for an order, substantially in the form attached as Appendix "A" to these Minutes of Settlement, and Lanterra and the Parties shall provide their written consent to same.

7. On the closing of the Transaction, each of Lanterra, 263 Holdings and the Investors (from the proceeds of the Investor Settlement Amount, as hereinafter defined) agrees to contribute one-third of the BMO Commission; provided, however, that the liability of 263 Holdings in respect of same shall be limited to the sum of $216,000.

8. On the closing of the Transaction, 263 Holdings agrees to pay to Lanterra the amount of $50,000 in respect of the breakage fee payable under a joint venture transaction contemplated between Adelaide and Lanterra pursuant to a term sheet made as of April 10, 2019, as amended from time to time.

9. On closing of the Transaction, Lanterra shall pay:

(a) To Aird & Berlis LLP in trust (on behalf of Meridian), the amounts owing as of the date of repayment (the "**Meridian Repayment Amount**") under the loan agreement between Meridian and Adelaide dated April 2, 2018 (as may be or have been subsequently amended, replaced, restated or supplemented from time to time, the "**Credit Agreement**") and/or the forbearance agreement between Meridian and Adelaide dated December 20, 2019, which amounts shall include principal, interest and amounts which may be or become owing for Meridian's fees, agent costs, reasonable professional fees and accrued interest at the rates set out in the Credit Agreement, which amounts shall be reviewed by Representative Counsel prior to such payment;

(b) To Stikeman Elliott LLP in trust (on behalf of Lanterra):

(i) the amounts owing to Lanterra as of the date of repayment under the Forbearance Fee Loan, which amounts shall be reviewed by Representative Counsel prior to payment;

(ii) the amounts owing to Lanterra as of the date of repayment under the Interest Payment Loan, which amounts shall be reviewed by Representative Counsel prior to payment, less $216,500 on account of Lanterra's contribution to the BMO Commission;

(iii) the sum of $50,000 on behalf of 263 Holdings in respect of the breakage fee payable under a joint venture transaction contemplated between Adelaide and Lanterra pursuant to a term sheet made as of April 10, 2019, as amended from time to time;

(c) To McCarthy Tétrault LLP in trust (on behalf of 263 Holdings), the sum of $3,734,000, representing the amount payable to 263 Holdings ($4,000,000 less 263 Holdings' contribution to the BMO Commission and the $50,000 breakage fee); and

(d) To Miller Thomson LLP in trust (to be distributed in accordance with paragraph 10), the balance of the Purchase Price remaining after payment of the amounts

required to be made to Aird & Berlis LLP in trust, Stikeman Elliott LLP in trust, and McCarthy Tétrault LLP in trust pursuant to paragraphs 9(a)to 9(c).

10. The amount paid to Miller Thomson LLP in trust pursuant to paragraph 9(d) shall be distributed by Miller Thomson LLP in the following order of priority:

(a) First, to professionals with charges on the Property in full satisfaction of the amounts secured by such charges registered on title to the Property as of the date of repayment, and to Representative Counsel (Miller Thomson LLP, in trust) a reasonable reserve amount to be held back in order to pay fees and disbursements of professionals with charges on the Property in respect of the implementation and completion of these Minutes of Settlement;

(b) Second, to BMO in full satisfaction of the BMO Commission;

(c) Third, to Cassels Brock & Blackwell LLP ("**Cassels**"),

(i) the sum of $146,223.00 (a discounted sum) to pay Cassels's legal fees, disbursements, and taxes for work done for Hi-Rise in regard to the Trustee Application, these Minutes of Settlement, and the Transaction (collectively, the "**Cassels Services**") over the period up to and including December 8, 2019, plus

(ii) the actual legal fees, disbursements, and taxes incurred by Hi-Rise for the period from and after December 9, 2019 to the date of closing of the Transaction in connection with Cassels Services, as evidenced by redacted invoices provided to Representative Counsel that set out details of numbers of hours billed by timekeepers on each date but with narrative details of activities redacted;

(d) Fourth, to set aside and pay over to Cassels a reasonable reserve for legal fees, disbursements, and taxes of Cassels in connection with Cassels Services required after the closing of the Transaction, such as services associated with the distribution of proceeds to Investors and any motion required to terminate the

Trustee Application (the "**Cassels Reserve**"), with the amount of the Cassels Reserve to be agreed upon by Cassels and Representative Counsel, acting reasonably, or, failing agreement, to be determined by the Court; and

(e) Fifth, to the Investors (the "**Distribution**") in full satisfaction of all claims each Investor may have in relation to the Property and the Project (in aggregate, the "**Investor Settlement Amount**"), and, for greater certainty, the amounts payable to Investors holding their investment through a registered plan shall be paid to Community Trust Company as trustee of the registered plans.

11. Upon payment of funds in accordance with paragraph 9, and for greater certainty, prior to any of the distributions in accordance with paragraph 10, Aird & Berlis LLP, Stikeman Elliott LLP, McCarthy Tétrault LLP and Miller Thomson LLP shall each execute a certificate in the form attached to the Approval and Vesting Order (the "**Certificate**") confirming receipt of the funds paid pursuant to paragraph 9 and deliver same to Lanterra. Upon delivery of the Certificate, the Property shall vest in Lanterra in accordance with the terms set out in the Approval and Vesting Order.

12. In the event there is a dispute in respect of the distributions set out in paragraph 10, Representative Counsel shall seek directions from the Court prior to such distributions being made.

13. Hi-Rise shall be responsible for preparing a list of the Investors, corresponding distribution entitlements and priorities of each of the Investors (together with appropriate documentation establishing same) from the Investor Settlement Amount (the "**Investor Distribution List**"). Solely for the purposes of ensuring that the Investor Settlement Amount is distributed in accordance with the respective entitlements of Investors, Representative Counsel shall be entitled to review the Investor Distribution List prior to any distribution of the Investor Settlement Amount. If there are disputes over Investors' entitlements or any part of the Investor Distribution List, Representative Counsel shall seek directions from the Court prior to its Distribution of the Investor Settlement Amount set out in paragraph 10(e). For greater certainty, Representative Counsel shall be entitled, in consultation with Hi-Rise, to delegate the task of Distribution of the Investor Settlement Amount as set out in paragraph 10(e).

14. Prior to effecting any Distribution of the Investor Settlement Amount, Representative Counsel shall obtain Court approval of the Investor Distribution List and the proposed mechanism for Distribution.

15. For greater certainty, the Investors as defined in these Minutes of Settlement shall include all Investors in the Project, including but not limited to those Investors whose investments were originally in the Cube Lofts Project at the property municipally known as 799 College Street, Toronto, but the Distribution shall be made in accordance with the relative priority that each of the Investors has (i.e., registered, non-registered, and subordinated), which priority information shall be provided by Hi-Rise and included in the Investor Distribution List in accordance with paragraph 13, above.

16. Notwithstanding that 263 Holdings is an Investor, 263 Holdings shall be excluded from the distribution to Investors from the Investor Settlement Amount. For greater certainty, 263 Holdings shall not receive a distribution or return on its SMI from the Investor Settlement Amount.

17. Hi-Rise shall have no liability for any failure by Representative Counsel or its agents or delegates to effect the Distribution in accordance with the Investor Distribution List.

18. Upon distribution of the amounts set out in paragraph 10 above, Representative Counsel and the Official Committee shall obtain a discharge order in the Trustee Application, and the Parties shall provide their written consent to same.

19. If on or prior to the Closing Date Adelaide, without lawful justification, refuses to perform its obligations under the APS or takes any action to frustrate the closing:

(a) Lanterra may make the payments otherwise required to be made by Lanterra under paragraph 9;

(b) If Lanterra makes the payments pursuant to paragraph 9, Representative Counsel shall execute a certificate substantially in the form attached to the Approval and Vesting Order upon receipt of written confirmation by Stikeman Elliott LLP that

the distribution amounts set out in paragraph 9, above, have been delivered (the "**Representative Counsel Certificate**") and deliver same to Lanterra; and

(c) Upon delivery of the Representative Counsel Certificate by Representative Counsel to Lanterra, the Property shall vest in Lanterra in accordance with the terms set out in the Approval and Vesting Order.

20. Each of Lanterra and the Parties shall each execute full and final mutual releases (the "**Releases**"), including full and final releases of all directors, officers and affiliates of Lanterra and the Parties (including their legal counsel), where applicable, in a form to be mutually agreed upon between counsel, which Releases shall include a carve out in respect of the activities and conduct of Representative Counsel and Hi-Rise solely in respect of the Distribution of the Investor Settlement Amount. Upon completion of the Distribution, each of Lanterra and the Parties shall execute a further full and final release in a form substantially similar to the Releases.

21. These Minutes of Settlement shall be construed in accordance with the laws of the Province of Ontario. Any dispute arising from these Minutes of Settlement shall be adjudicated by the Ontario Superior Court of Justice, Commercial List, and the Parties hereby attorn to the exclusive jurisdiction of this Court for this purpose.

22. These Minutes of Settlement and every covenant, provision and term herein contained shall enure to the benefit of and be binding upon each of Lanterra and the Parties and their respective heirs, executors, administrators, assigns, agents, advisors, consultants and other representatives.

23. Lanterra and each of the Parties agree to do and execute such further acts and documents as may be reasonably necessary or desirable to give effect to the covenants, provisions and terms of these Minutes of Settlement.

24. Any amendments to these Minutes of Settlement must be agreed to as between Lanterra and the Parties and must be in writing.

25. Each of Lanterra and the Parties acknowledges and agrees that:

(a) It has obtained independent legal advice or the opportunity to obtain legal advice;

(b) It has read these Minutes of Settlement in its entirety and has knowledge of the contents;

(c) It understands its respective rights and obligations under these Minutes of Settlement, the nature of these Minutes of Settlement, and the consequences of these Minutes of Settlement;

(d) It acknowledges that the terms of these Minutes of Settlement are fair and reasonable;

(e) It is entering into these Minutes of Settlement without any undue influence or coercion whatsoever; and

(f) It is signing these Minutes of Settlement voluntarily.

26. These Minutes of Settlement may be executed in counterparts, and by facsimile or electronic mail, each of which shall be deemed to be an original, all such separate counterparts shall together constitute one and the same instrument.

27. These Minutes of Settlement and the documents attached hereto, together with the executed Full and Final Mutual Release, represent the entire agreement among each of Lanterra and the Parties.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK – SIGNATURE PAGE TO FOLLOW]

DATED AT this _____ day of _____, 2019.

LANTERRA DEVELOPMENTS LTD.

Per: _____

Name: Christopher J. Wein
Title: Chief Operating Officer
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

Witness: _____ **JIM NEILAS**

: _____

DATED AT this _____ day of _____, 2019.

263 HOLDINGS INC.

Per: _____

Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

ADELAIDE STREET LOFTS INC.

Per: _____

Name:
Title:
(I have authority to bind the corporation)

DATED AT _____ this _____ day of _____, 2019.

LANTERRA DEVELOPMENTS LTD.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT Toronto this 20th day of December, 2019.

Witness: _____
Geoff R. Hall

JIM NEILAS

: _____

DATED AT Toronto this 20th day of December, 2019.

263 HOLDINGS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT Toronto this 20th day of December, 2019.

ADELAIDE STREET LOFTS INC.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

HI-RISE CAPITAL LTD.

Per: _____

Name: NOOR AL-AWQATI

Title: COO

(I have authority to bind the corporation)

DATED AT this _____ day of _____, 2019.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____

Name:

Title:

(I have authority to bind the limited liability partnership)

DATED AT this _____ day of _____, 2019.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

DATED AT this _____ day of _____, 2019.

HI-RISE CAPITAL LTD.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT the City of Toronto this 23rd day of December, 2019.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel



Per: _____
Name: Gregory R. Azeff
Title: Partner
(I have authority to bind the limited liability partnership)

DATED AT this _____ day of _____, 2019.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT _____ this _____ day of _____, 2019.

HI-RISE CAPITAL LTD.

Per: _____
Name:
Title:
(I have authority to bind the corporation)

DATED AT _____ this _____ day of _____, 2019.

MILLER THOMSON LLP, solely in its capacity as court-appointed Representative Counsel

Per: _____
Name:
Title:
(I have authority to bind the limited liability partnership)

DATED AT _____ this 23rd day of December, 2019.

Witness: _____

VIPIN BERRY, in his capacity as court-appointed member of the Official Committee

_____

DATED AT Toronto ON this 20th day of Dec, 2019.

Witness: Nima Ghanian

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

DATED AT this _____ day of _____, 2019.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

DATED AT Ottawa, ON this 23 day of Dec, 2019.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

DATED AT _____ this _____ day of _____, 2019.

Witness: _____

MICHAEL SINGH, in his capacity as court-appointed member of the Official Committee

_____

DATED AT TORONTO this 20th day of December 2019.

Witness: _____

NICK TSAKONACOS, in his capacity as court-appointed member of the Official Committee

_____

DATED AT _____ this _____ day of _____, 2019.

Witness: _____

MARCO ARQUILLA, solely in his capacity as court-appointed member of the Official Committee

Per: _____

APPENDIX "A"

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	THE
	)	
	)	
JUSTICE	)	DAY OF , 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 "**Adelaide**"), a corporation wholly owned by 263 Holdings Inc. ("**263 Holdings**") was heard this day at the Court House, 330 University Avenue, Toronto, Ontario,

UPON READING the Minutes of Settlement dated December 20, 2019 entered into in connection with this proceeding (the "**Minutes of Settlement**") and the consent of the parties, Hi-Rise, Adelaide, 263 Holdings, Representative Counsel, Meridian Credit Union Limited

("**Meridian**"), and Lanterra Developments Ltd., and upon hearing the submissions of Representative Counsel,

1. **THIS COURT ORDERS** that, subject to the encumbrances permitted by the Minutes of Settlement, title to the Property shall not be further encumbered by any person or entity pending further order of the Court, and any registration made on title to the Property shall be of no force or effect.

2. **THIS COURT ORDERS** that Adelaide shall not execute any lease or lease amendment in respect of the Property which specifies an expiration date later than May 14, 2020.

3. **THIS COURT ORDERS** that nothing in paragraph 1 of this Order shall prejudice the exercise of Meridian's rights against the Property, including with respect to its application bearing Court File No. CV-19-00628145-00CL, on seven (7) days' notice to each of the parties to the Minutes of Settlement.

HI-RISE CAPITAL LTD. and SUPERINTENDENT OF FINANCIAL SERVICES et. al. Applicant 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

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

MINUTES OF SETTLEMENT

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

Schedule B — Agreement of Purchase and Sale

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT is made as of the 20th day of December, 2019

BETWEEN:

ADELAIDE STREET LOFTS INC.
(the "**Vendor**")

- and -

LANTERRA DEVELOPMENTS LTD., IN TRUST
(the "**Purchaser**")

RECITALS

A. **WHEREAS** 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**") in Court File No. CV-19-616261-00CL, Miller Thomson LLP was appointed as Representative Counsel ("**Representative Counsel**") to represent all individuals and/or entities (collectively, the "**Investors**") holding an interest in the syndicated mortgage administered by Hi-Rise Capital Ltd. ("**Hi-Rise**") in respect of the proposed development known as the "Adelaide Street Lofts", at the property municipally known as 263 Adelaide Street West, Toronto, Ontario and owned by the Vendor, in connection with the negotiation and implementation of a settlement with respect to such investments, except for those Investors who opted out of representation by Representative Counsel in accordance with the terms of the Appointment Order (collectively, the "**Opt-Out Investors**");

B. **AND WHEREAS** pursuant to paragraph 27 of the Appointment Order, Hi-Rise is permitted to call, hold and conduct a meeting of all Investors in the Project, including the Opt-Out Investors, in order for such parties to consider and, if determined advisable, pass a resolution approving the Transaction (as defined below) and the net sale proceeds arising therefrom (the "**Vote**");

C. **AND WHEREAS**, subject to the approval of the Vote and the Court, the Vendor wishes to sell and the Purchaser wishes to purchase on an "as is, where is" basis all of the right, title and interest of the Vendor in and to the Purchased Assets (as defined below) pursuant to the terms and conditions of this Agreement (as defined below);

NOW THEREFORE for value received, the parties agree as follows:

SECTION 1 – INTERPRETATION

1.1 Definitions.

In this Agreement:

(1) "**Agreement**" means this agreement including any recitals and schedules to this agreement, as amended, supplemented or restated from time to time;

(2) "**Appointment Order**" has the meaning set forth in Recital A;

(3) "**Approval and Vesting Order**" means an Order of the Court providing for, among other things, the vesting in the Purchaser of all of the right, title and interest of the Vendor in and to the Purchased Assets, free and clear of all liens, charges and encumbrances, except Permitted Encumbrances;

(4) "**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which Canadian chartered banks are closed in Toronto, Ontario, Canada;

(5) "**Court**" has the meaning set forth in Recital A;

(6) "**Closing**" means the completion of the Transaction;

(7) "**Closing Date**" means May 14, 2019;

(8) "**Closing Time**" means 2:00 p.m. Toronto time on the Closing Date;

(9) "**Deposit**" has the meaning set forth in Section 3.2(1);

(10) "**ETA**" means the Excise *Tax Act* (Canada);

(11) "**Governmental Authority**" means any Canadian federal, provincial, state, municipal or local, or other government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial or arbitral body having jurisdiction over the Purchased Assets;

(12) "**HST**" means taxes, interest, penalties and fines imposed under Part IX of the ETA;

(13) "**Lease**" means, with respect to the Property, any offer or promise to lease, agreement to lease, lease, sublease, renewal of lease and other right or licence granted by or on behalf of the Vendor or any of its predecessors in title which entitle a Person to possess or occupy or lease space in the Property, now or hereafter, together with all security, guarantees and indemnities of the tenant's, subtenant's and licensee's obligations thereunder, in each case as amended, renewed or otherwise varied.

(14) "**Minutes of Settlement**" means the Minutes of Settlement dated December ●, 2019 among Jim Neilas, 263 Holdings, Adelaide, Hi-Rise, the Representative Counsel, Vipin Berry, in his capacity as court-appointed member of the Official Committee and Michael Singh, in his capacity as court-appointed member of the Official Committee;

(15) "**Person**" means a natural person, partnership, limited liability partnership, corporation, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Authority, and pronouns have a similarly extended meaning;

(16) "**Permitted Encumbrances**" means the liens and encumbrances set forth on Schedule B;

(17) "**Purchase Price**" has the meaning set forth in Section 3.1;

(18) "**Purchased Assets**" has the meaning set forth in Section 2.1;

(19) "**Real Property**" means the real property described in the legal description attached hereto as Schedule A, including any and all improvements, tenements, hereditaments and

appurtenances belonging or in any way pertaining thereto, including but not limited to fixtures (to the extent the Vendor owns or has rights in such fixtures) and easements for ingress and egress, storm water drainage or otherwise over adjoining property, if any;

(20) "**Representative Counsel**" has the meaning set forth Recital A;

(21) "**Certificates**" means, collectively, all of the certificates to be executed by the parties to the Minutes of Settlement confirming, *inter alia*, that the Purchaser has paid the Purchase Price in accordance with the Minutes of Settlement;

(22) "**Transaction**" means the transaction of purchase and sale contemplated by this Agreement; and

(23) "**Transfer Taxes**" has the meaning set forth in Section 3.5(1).

1.2 Headings and References.

The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement," "hereof," "hereunder" and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to "Sections" are to sections, subsections and further subdivisions of sections of this Agreement.

1.3 Extended Meanings.

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including without limitation."

1.4 Statutory References.

Each reference to an enactment is deemed to be a reference to that enactment, and to the regulations made under that enactment, as amended or re-enacted from time to time.

1.5 Schedules.

The following are the Schedules to this Agreement:

(a) Schedule A – Real Property

(b) Schedule B – Permitted Encumbrances

SECTION 2– PURCHASE AND SALE

2.1 Purchase and Sale of Purchased Assets.

Subject to the terms and conditions of this Agreement, on the Closing Date, the Vendor shall sell, assign and transfer to the Purchaser or its assignee, and the Purchaser or its assignee shall purchase from the Vendor, all of the right, title and interest of the Vendor in and

to the following (collectively, the "**Purchased Assets**"):

(a) the Real Property; and

(b) all deposits and prepaid expenses relating to the Real Property.

2.2 Excluded Assets.

With the exception of those assets listed in Section 2.1 all other assets of the Vendor are excluded from the Transaction. For greater certainty, the Purchased Assets shall not include any of the following assets:

(a) the minute books and corporate records of the Vendor;

(b) any shares in any other corporate entity held by, or for the benefit of, the Vendor;

(c) all accounts receivable, trade accounts, book debts and insurance claims of the Vendor; and

(d) all books and records, in electronic form or otherwise, used in connection with the Vendor's business.

SECTION 3 – PURCHASE PRICE

3.1 Purchase Price and Deposit.

The consideration payable by the Purchaser to the Vendor for the Purchased Assets shall be Sixty-Nine Million Dollars ($69,000,000) (the "**Purchase Price**").

3.2 Deposit

(1) Upon delivery of this Agreement to the Vendor, the Purchaser shall pay to the Vendor's solicitors, in trust, by wire transfer, a deposit in the amount of $10,000 (the "**Deposit**"), which Deposit shall be held in accordance with the provisions of this Agreement.

(2) The Deposit, and any interest accrued thereon, will be:

(a) applied immediately towards the Purchase Price, if the Closing occurs;

(b) non-refundable and retained by the Vendor, together with any accrued interest thereon, if the sale and purchase of the Purchased Assets provided for herein is not completed by the Purchaser for any reason whatsoever, save and except for the valid termination of this Agreement by the Purchaser in accordance with Section 5.3; or

(c) paid to the Purchaser within five (5) Business Days, together with any accrued interest thereon, if this Agreement is terminated by the Purchaser in accordance with Section 5.3.

3.3 Satisfaction of Purchase Price

The Purchase Price shall be satisfied by the Purchaser on Closing as follows:

(a) the Deposit, together with any interest accrued thereon, shall be applied against the Purchase Price; and

(b) the remainder of the Purchase Price, being the net amount owing after deducting the Deposit, shall be paid by the Purchaser by wire transfer of immediately available funds in accordance with the Minutes of Settlement.

3.4 Adjustment of Purchase Price

The Purchase Price shall be adjusted as of the Closing Time for any municipal realty taxes, utilities, tenant deposits, tenant inducements, prepaid rent, prepaid expenses and any other items which are usually adjusted in purchase transactions involving assets similar to the Purchased Assets. The Vendor shall prepare a statement of adjustments and deliver same with all supporting documentation to the Purchaser for approval by no later than the fifth Business Day prior to the Closing Date. If the amount of any adjustments cannot be reasonably determined as of the Closing Date, an estimate shall be agreed upon by the parties, each acting reasonably, and such estimate shall serve as a final determination.

3.5 Taxes.

(1) The Purchaser will be liable for and shall pay, directly to the relevant Governmental Authority, as required, all federal and provincial sales taxes, duties or other taxes or charges payable in connection with the conveyance and transfer of the Purchased Assets to the Purchaser, including HST, but excluding any income taxes payable by the Vendor or any other person as a result of the completion of the Transaction (collectively, the "**Transfer Taxes**"). All Transfer Taxes shall be in addition to the Purchase Price and the Vendor hereby directs the Purchaser to make such payments directly to the relevant Governmental Authority.

(2) The Vendor will not collect HST on Closing if the Purchaser provides to the Vendor prior to Closing, (i) a certificate establishing that the Purchaser is a HST registrant, and (ii) a written undertaking to self-assess and remit the HST payable in connection with the Transaction. If this Section 3.5(2) is not complied with, the Purchaser will pay to the Vendor on Closing all HST payable in connection with the sale of the Purchased Assets.

(3) To the extent any Transfer Taxes are required to be paid by or are imposed upon the Vendor, the Purchaser shall reimburse to the Vendor such Transfer Taxes within five (5) Business Days of payment of same by the Vendor. The Purchaser will indemnify and hold the Vendor harmless in respect of any Transfer Taxes, penalties, interest and other amounts that may be assessed against the Vendor as a result of the sale of the Purchased Assets.

(4) The Purchaser's obligations under this Section 3.5 shall survive Closing.

SECTION 4 – REPRESENTATIONS AND WARRANTIES

4.1 Vendor's Representations.

(1) The Vendor represents and warrants to the Purchaser that:

(a) the Vendor has good and sufficient power, authority and right to enter into and deliver this Agreement and complete the transactions contemplated hereunder,

subject to the Minutes of Settlement;

(b) this Agreement and all other documents contemplated hereunder to which the Vendor (including the Minutes of Settlement) is or will be a party have been or will be, as at the Closing Time, duly and validly executed and delivered by the Vendor and constitute, or will constitute as at the Closing Time, valid and binding obligations of the Vendor, enforceable in accordance with the terms hereof or thereof;

(c) the Vendor is not aware of any action or proceeding pending or threatened against it which may affect its right to convey any of the Purchased Assets or in any way restrain or prohibit the completion of the Transaction; and

(d) the Vendor is not, and at the Closing Time will not be, a non-resident of Canada within the meaning of that term as used in the *Income Tax Act* (Canada).

4.2 Purchaser's Representations.

(1) The Purchaser represents and warrants to the Vendor that:

(a) the Purchaser is a corporation existing under the laws of Ontario and has full corporate power and authority to enter into and carry out this Agreement and the Transaction;

(b) the entering into of this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party and the consummation of the Transaction have been duly authorized by all requisite corporate action;

(c) the execution and delivery by the Purchaser of this Agreement and the performance by the Purchaser of its obligations under this Agreement will not result in the breach or violation of any terms or conditions of (i) the constating documents or by-laws of the Purchaser, or (ii) any applicable law, regulation or order;

(d) no approval or consent of and no filing with or application to any Governmental Authority is required for the Purchaser to enter into this Agreement or to complete the Transaction, other than (i) pursuant to the Minutes of Settlement, and (ii) such approvals, consents, filings and applications that have been obtained or made as at the date hereof, copies of which have been provided to the Vendor;

(e) this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party have been or will be, as at the Closing Time, duly and validly executed and delivered by the Purchaser and constitute, or will constitute as at the Closing Time, valid and binding obligations of the Purchaser, enforceable in accordance with the terms hereof or thereof;

(f) the Purchaser has, or prior to the Closing Date will have, sufficient unencumbered funds to pay the Purchase Price and all other amounts payable by the Purchaser in connection with this Agreement and the Transaction contemplated hereby; and

(g) the Purchaser is or will be registered under Part IX of the ETA and its registration number will be provided to the Vendor prior to the Closing Date.

4.3 "As is, Where is"

(1) The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an "as is, where is" basis as the Purchased Assets shall exist on the Closing Date and no adjustments shall be made for any changes in the condition of the Purchased Assets. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Purchaser has conducted such inspections of the condition of, and title to, the Purchased Assets, as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for any particular use or purpose, merchantability, condition, assignability, value or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell same. Without limiting the generality of the foregoing, (i) any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation in any other jurisdiction do not apply hereto and have been waived by the Purchaser, and (ii) no representation or warranty is made with respect to the accuracy or completeness of any information provided by the Vendor and its respective officers, directors, employees and agents to the Purchaser in connection with this Transaction. The description of the Purchased Assets contained herein is for the purpose of identification only. No representation, warranty or condition has or will be given by the Vendor concerning completeness or the accuracy of such descriptions.

(2) The Purchaser shall have reasonable access to the Purchased Assets on reasonable notice to the Vendor for the purposes of conducting inspections prior to the Closing Date.

SECTION 5 – CONDITIONS TO CLOSING

5.1 Conditions for the Benefit of the Purchaser.

(1) The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the date or time set forth below:

(a) at or prior to the Closing Time, all representations and warranties of the Vendor contained in this Agreement shall be true as of the Closing Time with the same effect as though made as of that time and the Vendor shall deliver to the Purchaser a certificate signed by a representative of the Vendor to that effect;

(b) at or prior to the Closing Time, the Vendor shall have performed or complied with, in all material respects, each of its obligations contained in this Agreement and the Minutes of Settlement to the extent required to be performed on or before the Closing Date, and the Vendor shall execute and deliver to the Purchaser a certificate signed by a representative of the Vendor to that effect;

(c) at or prior to the Closing Time, the Approval and Vesting Order will have been granted by the Court, in form acceptable to the Purchaser, acting reasonably, and, as at the Closing Time, the Approval and Vesting Order shall not have been stayed, dismissed or amended in any manner not approved by the Purchaser acting reasonably;

(d) at or prior to the Closing Time, no order, proceeding, action or motion shall be

pending, threatened or commenced by any Person to restrain, enjoin or prohibit the purchase and sale of the Purchased Assets; and

(e) at or prior to the Closing Time, the Vendor shall have delivered or caused to be delivered to the Purchaser each of the items listed in Section 6.2.

(2) The foregoing conditions are for the exclusive benefit of the Purchaser and may be waived, in whole or in part, by the Purchaser in its sole discretion.

5.2 Conditions for the Benefit of the Vendor.

(1) The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Closing Time:

(a) all representations and warranties of the Purchaser contained in this Agreement shall be true as of the Closing Time with the same effect as though made as of that time and the Purchaser shall deliver to the Vendor a certificate signed by an officer of the Purchaser to that effect;

(b) the Purchaser shall have performed or complied with, in all material respects, each of its obligations contained in this Agreement and the Minutes of Settlement to the extent required to be performed on or before the Closing Date, and the Purchaser shall deliver to the Vendor a certificate signed by an officer of the Purchaser to that effect;

(c) the Approval and Vesting Order has been granted by the Court, and, as at the Closing Time, the Approval and Vesting Order has not been stayed, dismissed or amended in any manner not approved by the Vendor acting reasonably;

(d) no order, proceeding, action or motion shall be pending, threatened or commenced by any Person to restrain, enjoin or prohibit the purchase and sale of the Purchased Assets; and

(e) the Purchaser shall have delivered or caused to be delivered to the Vendor each of the items listed in Section 6.3.

(2) The foregoing conditions are for the exclusive benefit of the Vendor and may be waived, in whole or in part, by the Vendor in its sole discretion.

5.3 Termination Rights

(1) This Agreement may be terminated by notice in writing given to the other party at or prior to the Closing Date:

(a) by the Purchaser if any of the conditions in Section 5.1 have not been satisfied on the Closing Date and the Purchaser has not waived that condition at or prior to the Closing Date; or

(b) by the Vendor if any of the conditions in Section 5.2 have not been satisfied on the Closing Date and the Vendor has not waived that condition at or prior to the Closing Date.

(2) This Agreement may be terminated by mutual written agreement of the Vendor and the Purchaser upon the terms of that agreement.

5.4 Effect of Exercise of Termination Rights

(1) If the Purchaser validly terminates this Agreement in accordance with Section 5.3(1)(a), then:

(a) all the obligations of both the Vendor and Purchaser pursuant to this Agreement shall be at an end; and

(b) the Deposit, together with any interest accrued thereon, will be paid by the Vendor to the Purchaser.

(2) If the Vendor validly terminates this Agreement in accordance with Section 5.3(1)(b) then:

(a) all the obligations of both the Vendor and Purchaser pursuant to this Agreement shall be at an end; and

(b) the Deposit, plus any interest accrued thereon, shall be forfeited to the Vendor on account of liquidated damages, not as a penalty, and the Purchased Assets may be resold by the Vendor

(3) Termination of this Agreement shall not relieve any party from any liability for any breach of this Agreement prior to Termination.

SECTION 6 – CLOSING

6.1 Closing.

The completion of the Transaction shall take place at the offices of Stikeman Elliott LLP, solicitors for the Purchaser, in Toronto, Ontario at the Closing Time or at such other location(s) as are agreed upon by the parties.

6.2 Vendor's Deliveries on Closing.

At or before the Closing Time, the Vendor shall deliver the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:[1]

(a) a copy of the issued and entered Approval and Vesting Order;

(b) all deeds, conveyances, bills of sale, transfers, assignments and other documents, executed by the Vendor, as may be reasonably requested by the Purchaser to convey to the Purchaser all of the right, title and interest of the Vendor, if any, in and to the Purchased Assets including, if requested by the Purchaser, a general conveyance of all of the Vendor's right, title and interest in and to all leases, offers to lease, licenses or other occupancy agreements,

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[1] Parties to consider escrow of all vendor closing documentation.

contracts and permitted encumbrances appertaining to the Property (the "**General Conveyance**");

(c) the statement of adjustments prepared in accordance with Section 3.4;

(d) the certificates of the Vendor referenced in Sections 5.1(a) and (b);

(e) the Certificates;

(f) agreements satisfactory to the Purchaser wherein the Vendor and/or each related or affiliated party surrenders any and all leasehold interests in and to the Real Property, effective as of the date upon which the Purchaser exercises its rights, as landlord, as against other tenants of the Real Property under any early termination clauses or demolition clauses in any of their respective leases, offers to lease, licenses or other occupancy agreements; and

(g) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement and convey the Purchased Assets to the Purchaser.

6.3 Purchaser's Deliveries on Closing

At or before the Closing Time, the Purchaser shall execute and deliver the following, each of which shall be in form and substance satisfactory to the Vendor, acting reasonably:

(a) payment of the Purchase Price pursuant to the Minutes of Settlement;

(b) the certificates of the Purchaser referenced in Section 5.2(a) and (b);

(c) payment or evidence of the payment of the Transfer Taxes, if any;

(d) if requested by the Purchaser, the General Conveyance;

(e) the certificate of HST registration and undertaking contemplated by Section 3.5(2); and

(f) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

6.4 Operation Before Closing

(1) After the date hereof, the Vendor shall not, with respect to the Property:

(a) enter into any new Lease;

(b) amend, terminate or accept a surrender of any Lease or any guarantee or indemnity with respect to a Lease; or

(c) encumber the Property other than as contemplated in the Minutes of Settlement,

without, in each case, the prior approval of the Purchaser, which approval may be withheld by the Purchaser in its sole discretion. If the Purchaser fails to respond in

writing pursuant to this Section 6.4 within three (3) Business Days after the date on which the Vendor has given written notice to the Purchaser of any such action together with relevant information with respect thereto, the Purchaser shall be deemed not have approved same.

(2) The Vendor hereby acknowledges and agrees that the Purchaser shall not be obligated to replace any existing letters of credit or security deposits posted with any governmental authorities in connection with the Property on Closing and that the Vendor shall continue to retain full responsibility for same following Closing.

6.5 Risk.

(1) Until the Closing Time, the Purchased Assets shall be and remain at the risk of the Vendor.

(2) In the event that the Purchased Assets shall be damaged prior to Closing, then the Vendor shall promptly notify the Purchaser in writing of such damage and, notwithstanding the same, the Transaction shall be completed and the Vendor shall release its interest in the insurance proceeds payable in respect thereof (if any) to the Purchaser.

6.6 Possession of Purchased Assets.

On Closing the Purchaser shall acquire ownership of the Purchased Assets where situate at the Closing Time provided that in no event shall title to the Purchased Assets pass to the Purchaser until the Approval and Vesting Order is effective.

6.7 Tender.

Any tender of documents or money hereunder may be made upon the Vendor or the Purchaser or their respective solicitors on the Closing Date.

SECTION 7 – GENERAL

7.1 Notices.

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery (in which case it shall be left with a responsible officer of the recipient) or by facsimile or electronic communication addressed to the recipients as follows:

(a) in the case of the Purchaser:

Lanterra Developments Ltd., in trust
2811 Dufferin Street
Toronto, Ontario M6B 3R9

Attention: Christopher Wein
Email: cwein@lanterradev.com

Attention: Tim Watson
Email: twatson@lanterradev.com

Attention: Christopher Wein
Email: cwein@lanterradev.com

with a copy to:

Stikeman Elliott LLP
Commerce Court West
199 Bay Street, Suite 5300
Toronto, ON M5L 1B9

Attention: Eric Carmona
Email: ecarmona@stikeman.com

Attention: Ashley Taylor
Email: ataylor@stikeman.com

(b) in the case of the Vendor:

Adelaide Street Lofts Inc.
200 Adelaide Street West, Suite 400
Toronto, Ontario M5H 1W7

Attention: Jim Neilas
Email: jim@storeyliving.com

with a copy to:

McCarthy Tetrault LLP
Suite 5300
TD Bank Tower
Box 48, 66 Wellington Street West
Toronto, Ontario M5K 1E6

Attention: Geoff Hall
Email: ghall@mccarthy.ca

Attention: Charlene Schafer
Email: cschafer@mccarthy.ca

or to such other address, individual or electronic communication number as may be designated by notice given by either party to the other. Any demand, notice or other communication shall be conclusively deemed to have been given, if given by personal delivery, on the day of actual delivery thereof if delivered during normal business hours of the recipient on a Business Day and, if given by electronic communication, on the day of transmittal thereof if transmitted during normal business hours of the recipient on a Business Day and on the next Business Day following the delivery or transmittal thereof if not so delivered or transmitted.

7.2 Time of Essence.

Time shall be of the essence for every provision hereof.

7.3 Expenses.

Except as otherwise expressly provided herein, all costs and expenses (including the fees and disbursements of legal counsel, investment advisers and auditors) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

7.4 Third Party Beneficiaries.

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto and their successors and permitted assigns, and no person, other than the parties hereto and their successors and their permitted assigns shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

7.5 Commission.

The parties hereby acknowledge and agree that all agent's or broker's fees or other commissions payable by the Vendor on the Purchase Price shall be paid in accordance with the Minutes of Settlement.

7.6 Further Assurances.

Each party shall from time to time, before or after the Closing Date, execute and deliver, or cause to be executed and delivered, all such documents and instruments and do, or cause to be done, all such acts and things as the other party may, either before or after the Closing, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.7 Entire Agreement.

This Agreement, the Minutes of Settlement and the agreements therein contained constitute the only agreements between the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, provisions, covenants, agreements, understandings and representations on that subject, all of which have become merged and finally integrated into this Agreement.

7.8 Amendments.

This Agreement may only be amended, modified or supplemented by a written agreement signed by the parties.

7.9 Waiver.

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the party to be bound thereby.

7.10 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the

Province of Ontario and the laws of Canada applicable therein and each of the parties hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

7.11 Benefit of Agreement.

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

7.12 Severability.

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provision's validity or enforceability in any other jurisdiction.

7.13 Paramountcy.

It is acknowledged and agreed by the parties hereto that in the event of any conflict between the terms of this Agreement and those of the Minutes of Settlement, the terms of the Minutes of Settlement (including the Approval and Vesting Order therein contemplated) shall in every respect govern, including without limitation with respect to Permitted Encumbrances.

7.14 Counterparts and Electronic Delivery.

This Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered will be deemed an original and all of which taken together constitute one and the same instrument. Delivery by electronic transmission of an executed counterpart of this Agreement is as effective as delivery of an originally executed counterpart of this Agreement.

7.15 Assignment and Enurement.

The Purchaser may assign this agreement to an affiliate (as such term is defined in the *Canada Business Corporations Act*) without the consent of but upon notice to the Vendor; provided, however, that the Purchaser shall remain jointly and severally liable for all obligations of the Purchaser pending the completion of the subject transaction. The Vendor may not assign its rights or obligations under this Agreement without the prior written consent of the Purchaser.

[signature page follows]

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

263 ADELAIDE LOFTS INC.

Per: _____

Name:
Title:

LANTERRA DEVELOPMENTS LTD., in trust

Per: _____

Name:
Title:

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

263 ADELAIDE LOFTS INC.

Per: _____

Name:
Title:

LANTERRA DEVELOPMENTS LTD., in trust

Per: _____

Name: Christopher J. Wern
Title: Chief Operating Officer

Schedule A
Real Property

All of PIN 21411-0294 (LT), being:

PART BLK B PLAN 216-E PARTS 1 & 2 PLAN 66R29363; SUBJECT TO AN EASEMENT OVER PART 2 PLAN 66R29363 AS IN ES61538; TOGETHER WITH AN EASEMENT OVER PART 3 PLAN 66R29363 AS IN ES61223; CITY OF TORONTO

Schedule B
Permitted Encumbrances

General

1. Encumbrances, charges or prior claims for taxes (which term includes charges, rates and assessments) or utilities (including charges, levies or imposts for sewers, electricity, power, gas, water and other services and utilities) not yet due and owing or, if due and owing, that are adjusted for pursuant to Section 3.4.

2. Easements, rights of way, restrictive covenants and servitudes and other similar rights in land granted to, reserved or taken by any Governmental Authority, transit authority or public or private utility supplier; or any subdivision, development, servicing, site plan or other similar agreement with any Governmental Authority, transit authority or public or private utility supplier, provided that at Closing the same are in good standing in all material respects with no material outstanding defaults by the Vendor thereunder.

3. Encroachments by the Property over neighbouring lands which are permitted under existing agreements with neighbouring landowners.

4. Any subsisting reservations, limitations, provisos, conditions or exceptions in any original grants from the Crown of the Property or any part thereof or interest therein.

5. Statutory exceptions, reservations, limitations, provisos, qualifications and conditions to title provided for or implied by the *Land Titles Act* (Ontario) (including without limitation those set forth in subsection 44(1) thereof), but not including the matters listed in paragraph 11 of subsection 44(1) of the *Land Titles Act* (Ontario) and not including any circumstance by which all or any part of the Property may have escheated to the Crown.

6. Any rights of expropriation, access, use or any other right conferred or reserved by or in any statute of Canada or the Province of Ontario.

7. The provisions of Applicable Laws, including without limitation any by-laws, regulations, ordinances and similar instruments relating to development and zoning provided same are complied with in all material respects.

8. Any minor title defects, irregularities, easements, reserves, servitudes, encroachments, rights of way or other discrepancies in title or possession relating to the Property that (i) would be disclosed by an up-to-date survey of the Property, (ii) do not have a material adverse effect on the operation of the Property, or (iii) will not prevent the Purchaser from obtaining satisfactory title insurance policy for the Property.

Specific

9. Instrument No. ES61223 registered on October 18, 1966 being an easement.

10. Instrument No. ES61538 registered on December 19, 1966 being an easement.

11. Instrument No. 63BA1446 registered on February 2, 1979 being a Boundries Act plan.

12. Instrument No. 66R29363 registered on June 9, 2017 being reference plan.

13. Instrument No. AT4593553 registered on June 9, 2017 being an application for absolute Title.

14. Instrument No. AT4773446 registered on January 4, 2018 being a bylaw.

FIRST AMENDING AGREEMENT

THIS FIRST AMENDING AGREEMENT (the "**Agreement**") made effective as of the 27th day of April, 2020,

B E T W E E N:

ADELAIDE STREET LOFTS INC.
(the "**Vendor**")

- and -

LANTERRA DEVELOPMENTS LTD., IN TRUST
(the "**Purchaser**")

RECITALS:

(a) The Vendor and the Purchaser entered into an agreement of purchase and sale dated December 20, 2019 (the "**Purchase Agreement**"), wherein the Vendor agreed to sell and the Purchaser agreed to purchase all of the right, title and interest of the Vendor in and to the Purchased Assets; and

(b) The Purchaser and the Vendor wish to amend the Purchase Agreement on and subject to the terms and conditions provided in this Agreement.

In consideration of the above, the mutual covenants and agreements set out in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows:

Section 1 Capitalized Terms.

All capitalized terms used in this Agreement and not otherwise defined herein shall have the respective meanings ascribed thereto in the Purchase Agreement.

Section 2 Amendments to the Purchase Agreement.

The definition of "Closing Date" in Section 1.1(7) of the Purchase Agreement is hereby amended by deleting the words "May 14, 2019" and replacing them with "November 16, 2020".

Section 3 Time of the Essence.

Except as amended by this Agreement, all other terms and conditions of the Purchase Agreement shall remain unchanged and time shall remain of the essence.

Section 4 Paramountcy.

In the case of any conflict between the terms and conditions of the Purchase Agreement and the terms or conditions of this Agreement, the terms and conditions of this Agreement will prevail.

Section 5 Reference to and Effect on the Purchase Agreement.

On and after the date of this Agreement, any reference to "this Agreement" in the Purchase Agreement and any reference to the Purchase Agreement in any other agreements will mean the Purchase Agreement, as amended by this Agreement. Except as specifically amended by this Agreement, the provisions of the Purchase Agreement remain in full force and effect.

Section 6 Successors and Assigns.

This Agreement becomes effective when executed by all of the parties. After that time, it will be binding upon and enure to the benefit of the parties and their respective successors and permitted assigns.

Section 7 Governing Law.

This Agreement is governed by, and will be interpreted and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 8 Electronic Delivery.

This Agreement may be executed by the parties and transmitted by fax or other electronic means and if so executed and transmitted this Agreement will be for all purposes as effective as if the parties had executed and delivered an original agreement.

Section 9 Counterparts.

This Agreement may be executed in any number of original counterparts, with the same effect as if all the parties had signed the same document and will become effective when one or more counterparts have been signed by all of the parties and delivered to each of the other parties. All counterparts will be construed together and evidence only one agreement, which, notwithstanding the dates of execution of any counterparts, will be deemed to be dated the date first above written.

(signature page follows)

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

ADELAIDE STREET LOFTS INC.

Per: _____

Name: Jim Neilas
Title: Authorized Signing Officer
I have authority to bind the corporation

LANTERRA DEVELOPMENTS LTD., in trust

Per: _____

Name: Christopher Wein
Title: Authorized Signing Officer
I have the authority to bind the corporation

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

ADELAIDE STREET LOFTS INC.

Per: _____

Name: Jim Neilas
Title: Authorized Signing Officer
I have authority to bind the corporation

LANTERRA DEVELOPMENTS LTD., in trust

Per: _____

Name: Christopher Wein
Title: Authorized Signing Officer
I have the authority to bind the corporation

Schedule 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.

CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Hainey of the Ontario Superior Court of Justice (the "**Court**") dated March 21, 2019 (the "**Appointment Order**"), Miller Thomson LLP was appointed as representative counsel ("**Representative Counsel**") 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 investment administered by Hi-Rise Capital Ltd. ("**Hi-Rise**"), in respect of the proposed development at the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**") and owned by Adelaide Street Lofts Inc. ("**Adelaide**").

B. Pursuant to an Order of the Court dated March 19, 2020, the Court approved the Minutes of Settlement made as of December 20, 2019 (the "**Minutes of Settlement**") between the Parties (as defined therein) and Lanterra Developments Ltd. ("**Lanterra**") and the Agreement of Purchase and Sale dated December 20, 2019 between Lanterra or its designee and Adelaide and provided for the vesting in Lanterra or its designee of Adelaide's right, title and interest in and to the Property, which vesting is to be effective with respect to the Property upon delivery to Lanterra of a certificate executed by Aird &

Berlis LLP, Stikeman Elliott LLP, McCarthy Tetrault LLP and Miller Thomson LLP confirming receipt of the funds paid pursuant to paragraph 9 of the Minutes of Settlement.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Minutes of Settlement.

D. This certificate may be executed in counterparts, and by facsimile or electronic mail, each of which shall be deemed to be an original, all such separate counterparts shall together constitute one and the same certificate.

EACH OF THE UNDERSIGNED CONFIRMS receipt of the funds to be paid to it pursuant to paragraph 9 of the Minutes of Settlement.

AIRD & BERLIS LLP

Per: _____

Name:

Title:

STIKEMAN ELLIOTT LLP

Per: _____

Name:

Title:

MCCARTHY TETRAULT LLP

Per: _____

Name:

Title:

MILLER THOMSON LLP

Per: _____

Name:

Title:

Schedule D

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.

REPRESENTATIVE COUNSEL CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Hainey of the Ontario Superior Court of Justice (the "**Court**") dated March 21, 2019 (the "**Appointment Order**"), Miller Thomson LLP was appointed as representative counsel ("**Representative Counsel**") to represent the interests of all individuals and/or entities (the "**Investors**") which term does not include persons who have opted our 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 at the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**") and owned by Adelaide Street Lofts Inc. ("**Adelaide**").

B. Pursuant to an Order of the Court dated March 19, 2020, the Court approved the Minutes of Settlement made as of December 20, 2019 (the "**Minutes of Settlement**") between the Parties (as defined therein) and Lanterra Developments Ltd. ("**Lanterra**") and the Agreement of Purchase and Sale dated December 20, 2019 between Lanterra or its designee and Adelaide and provided for the vesting in Lanterra or its designee of Adelaide's right, title and interest in and to the Property, which vesting is to be effective with respect to the Property upon the delivery by Representative Counsel to Lanterra of

a certificate confirming (i) the payment by Lanterra of the Purchase Price for the Property; and (ii) the Transaction has been completed to the satisfaction of Representative Counsel.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Minutes of Settlement.

REPRESENTATIVE COUNSEL CERTIFIES the following:

1. Lanterra has paid the Purchase Price for the Property in accordance with the Minutes of Settlement;

3. The Transaction has been completed to the satisfaction of Representative Counsel.

4. This Certificate was delivered by Representative Counsel at _____ [TIME] on _____ [DATE].

MILLER THOMSON LLP, in its capacity as Representative Counsel

Per: _____

Name:

Title:

Schedule E — Purchased Assets

"**Purchased Assets**" is defined in the APS to mean the following:

(a) the Real Property (as defined in the APS); and

(b) all deposits and prepaid expenses relating to the Real Property (as defined in the APS).

Schedule F — Claims to be deleted and expunged from title to Property

Reg. No.	Date	Type	Amount	Parties From	Parties To
AT2730828	2011/06/24	Transfer	$16,500,000	GUESTVILLE ENTERPRISES LIMITED	ADELAIDE STREET LOFTS INC.
AT3522463	2014/02/18	Charge	$40,000,000	ADELAIDE STREET LOFTS INC.	HI-RISE CAPITAL LTD.
AT3522464	2014/02/18	Assignment of Rents	N/A	ADELAIDE STREET LOFTS INC.	HI-RISE CAPITAL LTD.
AT3586925	2014/05/22	Transfer of Charge	N/A	HI-RISE CAPITAL LTD.	CANADIAN WESTERN TRUST COMPANY
AT3946856	2015/07/15	Notice	$2	ADELAIDE STREET LOFTS INC.	HI-RISE CAPITAL LTD. CANADIAN WESTERN TRUST COMPANY
AT4420428	2016/12/01	Transfer of Charge	N/A	HI-RISE CAPITAL LTD. CANADIAN WESTERN TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4420442	2016/12/01	Assignment of Rents	N/A	HI-RISE CAPITAL LTD. CANADIAN WESTERN TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4505545	2017/03/08	Transfer of Charge	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4505546	2017/03/08	Assignment of Rents	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4529978	2017/04/04	Transfer of Charge	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4529979	2017/04/04	Assignment of Rents	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4572550	2017/05/18	Transfer of Charge	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4572551	2017/05/18	Assignment of Rents	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4627861	2017/07/14	Transfer of Charge	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4627862	2017/07/14	Assignment of Rents	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4664798	2017/08/25	Transfer of Charge	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4664799	2017/08/25	Assignment of Rents	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY
AT4862974	2018/05/14	Charge	$16,414,000	ADELAIDE STREET LOFTS INC.	MERIDIAN CREDIT UNION LIMITED
AT4862975	2018/05/14	Assignment of Rents	N/A	ADELAIDE STREET LOFTS INC.	MERIDIAN CREDIT UNION LIMITED

AT4863246	2018/05/14	Postponement	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	MERIDIAN CREDIT UNION LIMITED
AT5329784	2019/12/24	Notice	N/A	ADELAIDE STREET LOFTS INC.	MERIDIAN CREDIT UNION LIMITED
AT5329785	2019/12/24	Charge	$1,550,000	ADELAIDE STREET LOFTS INC.	LANTERRA DEVELOPMENTS LTD.
AT5329786	2019/12/24	Assignment of Rents	N/A	ADELAIDE STREET LOFTS INC.	LANTERRA DEVELOPMENTS LTD.
AT5329787	2019/12/24	Postponement	N/A	HI-RISE CAPITAL LTD. COMMUNITY TRUST COMPANY	LANTERRA DEVELOPMENTS LTD.
AT5330113	2019/12/27	Postponement	N/A	COMMUNITY TRUST COMPANY HI-RISE CAPITAL LTD.	MERIDIAN CREDIT UNION LIMITED
AT5357503	2020/02/04	Restrictions Order	N/A	ONTARIO SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST	LANTERRA DEVELOPMENTS LTD.

Schedule G — Permitted Encumbrances, Easements and Restrictive Covenants related to the Property

Reg. No.	Date	Type	Amount	Parties From	Parties To
ES61223	1966/10/18	Easement	N/A	N/A	N/A
ES61538	1966/12/19	Easement	N/A	N/A	N/A
63BA1446	1979/02/02	Plan Boundaries Act	N/A	N/A	N/A
66R29363	2017/06/09	Plan Reference	N/A	N/A	N/A
AT4593553	2017/06/09	Application for Absolute Title	N/A	ADELAIDE STREET LOFTS INC.	N/A
AT4773446	2018/01/04	Bylaw	N/A	CITY OF TORONTO	N/A

Schedule H — Legal Description of the Property

PIN 21411-0294 (LT)

PART BLK B PLAN 216-E PARTS 1 & 2 PLAN 66R29363; SUBJECT TO AN EASEMENT OVER PART 2 PLAN 66R29363 AS IN ES61538; TOGETHER WITH AN EASEMENT OVER PART 3 PLAN 66R29363 AS IN ES61223; CITY OF TORONTO

HI-RISE CAPITAL LTD.
Applicant/Moving Party

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
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svoudouris@casselsbrock.com

Lawyers for the Applicant/Moving Party, Hi-Rise Capital Ltd.

APPENDIX I

MORTGAGE ADMINISTRATION AGREEMENT

THIS AGREEMENT DATED the 5th day of March, 2015

BETWEEN:

HI-RISE CAPITAL LTD.

of the City of Toronto, Province of Ontario
(hereinafter called the "Trustee")

-AND- [redacted]

of the City of Mississauga, Province of ONTARIO
(hereinafter called the "Beneficiary" individually and the "Beneficiaries" collectively)

WHEREAS the Trustee will hold an interest in the second mortgage registered against **263 Adelaide Street West, Toronto** (the "Investment") in the name of Hi-Rise Capital Ltd.;

AND WHEREAS the Beneficiaries have paid and advanced the sum of twenty five **Thousand Dollars ($**25,000.00**) as a portion of the Mortgage to the Trustee;**

AND WHEREAS the Trustee holds the amount advanced by the Beneficiaries as trustee for the Beneficiaries;

AND WHEREAS the Beneficiaries have an undivided beneficial interest in the Investment to the extent of the portion advanced;

AND WHEREAS the rights and obligations of the parties are more particularly set out in the attached Loan Participation Agreement **# 10-1010-2** and the Beneficiary is known as the "Participant";

NOW THEREFORE this agreement witnesseth that in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

THE TRUSTEE ACKNOWLEDGES AND AGREES that he is the mortgagee and investor pursuant to the Investment as trustee for the Beneficiaries;

THE TRUSTEE UNDERTAKES AND AGREES to deliver a conveyance of the Beneficiaries' entire interest in the Investment upon the Beneficiaries' request for the same and undertakes and agrees to execute any and all documentation necessary to give effect to the same with all costs to be borne by the Beneficiaries;

THE PARTIES HERETO AGREE that this Agreement shall be binding upon the parties hereto, their successors and assigns.

IN WITNESS WHEREOF the parties hereto have herein set their hands and seals.

SIGNED, SEALED AND DELIVERED

HI-RISE CAPITAL LTD.
Mortgage Brokerage # 10897
Mortgage Administrator # 11893

Jim Neilas, Managing Director

[redacted]

Beneficiary

[redacted]

Name

LOAN PARTICIPATION AGREEMENT

Participation Agreement #**10-1010**

THIS PARTICIPATION AGREEMENT MADE

BETWEEN

HI-RISE CAPITAL LTD.
(hereinafter called "**HRC**")

OF THE FIRST PART

-AND-

PERSON(S) AND/OR ENTITY AS PER THE MORTGAGE ADMINISTRATION AGREEMENT TO WHICH THIS AGREEMENT IS ATTACHED
(hereinafter called the "**Participant**")

OF THE SECOND PART

WHEREAS HRC has given to the Participant the opportunity to participate in a certain loan which is a participating loan, (hereinafter called the **"Loan"**) made or to be made to the borrower hereinafter set out (hereinafter called the **"Borrower"**) upon the terms set out in the Participant's Participation documentation between the Borrower and HRC;

AND WHEREAS HRC and the Participant agree that the relationship between HRC and the Participant shall be governed by the following terms and conditions:

Name of Borrower:	**Adelaide Street Lofts Inc.**
Participant's Participation:	**Amount set out in the Mortgage Administration Agreement**
Participating Lender:	**Hi-Rise Capital Ltd.**
Priority in Mortgage Loan:	**Subordinated Investor** *There is a second mortgage registered against the subject property in the name of both Hi-Rise Capital Ltd. and Canadian Western Trust. Canadian Western Trust will hold an interest of $9,500,000.00 ahead of Hi-Rise Capital Ltd.* ***As a non-registered investor**, you participate in this second mortgage through Hi-Rise Capital Ltd. As between the second mortgagees, Hi-Rise Capital Ltd. is subordinated to Canadian Western Trust. In the event of an insolvency or liquidation of the borrower, the claims of Hi-Rise Capital Ltd. will rank junior to the claims of Canadian Western Trust.*
Project Name:	**Adelaide Street Lofts (the "Project")**
Security:	**2nd Mortgage** *I understand that during the course of this investment, the Borrower anticipates obtaining additional construction financing for the Property which is expected to take priority. I hereby understand, consent, and agree that other charges/ mortgages and/or development agreement may be registered in priority to the charge of the Property.*
Prior Mortgages:	**1st Mortgage (Refer to Disclosure Documents)**
Amount of Loan:	**$40,000,000** *(I understand that the mortgage shall be initially registered indicating a face value of $40,000,000 and from time to time, the loan amount will increase upon the completion of certain development and construction milestones on the Property by the Borrower, eventually replaced by construction/project financing).*
Term of the Mortgage/Investment:	**4 Years** *Maturity Date: (February 1, 2018) – At the Borrower's option (to be exercised in writing not less than one (1) month prior to Maturity Date); the Borrower may extend the Maturity Date for twenty-four (24) additional months.*

Initial [redacted]

Fixed Interest Rate:	HRC agrees to pay the Participant a fixed rate of **10.5%** per annum (less 0.5% mortgage administration fee) as and when received from the Borrower *(The right of interest on delayed interest payments does not apply).*
*Bonus Interest Payment:	**2%** Accrued per annum payable upon completion of the project.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the covenants herein contained and the sum of TEN ($10.00) DOLLARS now paid by each of the parties (the **"Parties"**) to the other (the receipt of which is hereby acknowledged by each of the Parties) and other good and valuable consideration, the Parties hereto hereby agree as follows:

1. Acknowledgement

i. Canadian Western Trust will rank ahead of Hi-Rise Capital Ltd. in the second mortgage. Hi-Rise Capital Ltd. is postponing to Canadian Western Trust for $9,500,000.00 plus 18% interest per annum minus the administration fee. Canadian Western Trust's interest in the mortgage may increase from time to time.

ii. I understand that sometime in the future, the Borrower will renew or replace the first charge/mortgage on the property.

iii. I understand that during the course of this investment, the Borrower anticipates obtaining additional construction financing for the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

iv. I understand, consent and agree that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the property during the term of my investment in the second charge/mortgage registered in the name of Hi-Rise Capital Ltd.

v. I hereby confirm, understand and agree that the second charge/mortgage in which I have invested shall be required to postpone and standstill to prior charges/mortgages if required, in priority financing. I understand that priority financing is expected to periodically increase over the term of the second charge/mortgage and that such postponements shall be permitted.

vi. I hereby confirm, understand and agree that HRC may elect to defer the interest payment payable to the investor and capitalize interest payments until deemed reasonably necessary as determined by Hi-Rise Capital Ltd acting reasonably in the benefit of the Investor (Beneficiary) and/or the project/Borrower. Such deferral of interest payments will not constitute an act of default by the Borrower.

vii. I hereby confirm, understand and agree that the second charge/mortgage in which I have invested shall be required to postpone and standstill to permit the registration of certain agreements for the purpose of facilitating the planned development of the property. The trustees of this charge/mortgage may execute such documents when needed. An example of such agreements includes (but not limited to):

- Site plans
- Mezzanine financing
- Insurance on purchase deposits
- Condominium registration docs, etc.

viii. I understand that additional priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which I am investing. In the event of a shortfall in the funding of this charge/mortgage, I understand and agree that other charges/mortgages may be registered against the property to fund and secure any such shortfall.

ix. I understand that the additional priority, construction and other financing will change the LTV ratios of the project.

Initial [redacted]

2. Use of Funds

HRC agrees to advance the Participant's Participation to the Borrower upon the terms and conditions contained in the Loan Commitment issued by HRC to the Borrower.

3. Redemption of Participant's Participation

The following redemption will apply to redemption of any part of the Participant's Participation:

i. On or before the first 12 months from the date HRC receives the Participant's Participation, if the Participant wants to redeem its Participation, the Participant will pay a fee equal to 25% of the amount redeemed;
ii. On or before the first 24 months from the date HRC receives the Participant's Participation, if the Participant wants to redeem its Participation, the Participant will pay a fee equal to 20% of the amount redeemed;
iii. On or before the first 36 months from the date HRC receives the Participant's Participation, if the Participant wants to redeem its Participation, the Participant will pay a fee equal to 15% of the amount redeemed;
iv. At any time before the first 48 months from the date HRC receives the Participant's Participation, if the Participant wants to redeem its Participation, the Participant will pay a fee equal to 10% of the amount redeemed;

And in addition to the above fees, HRC shall deduct all interest payments received by the Participant for the amount being redeemed.

4. Priority of Return

Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC on account of the Loan shall be applied in the following manner:

Firstly: Pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Loan;

Secondly: Any and all remaining monies shall be distributed pro-rata to each Participant based on each Participant's proportionate share of the total amount invested by all of the Participants and the share of profits received from HRC on behalf of all of the Participants from the Borrower or of any proceeds of disposition from any action taken by HRC to enforce its security against the Borrower.

The above excludes monies received by HRC if it markets another Participant's Participation during the term of the Loan and receives monies for the sale of that other Participant's Participation. Those monies shall be considered trust funds of the other Participant and shall not be distributed according to the Priority of Return set out above but shall be distributed to the other Participant in their entirety or according to the brokerage agreement between the Participant and HRC.

5. Syndication, Asset Management, and other Fees

The Participant acknowledges that fees are payable to HRC and Neilas Inc. or a related entity for its role in the Loan pursuant to and in accordance with the disclosure documentation provided to the Participant, as same may be amended from time to time. A 5% administration fee is paid to HRC.

6. Remittance of Proceeds

Forthwith upon the receipt of payments on account of the Loan by way of certified cheque and/or forthwith upon clearance by HRC or its banker of any uncertified cheques received on account of payments representing the Participant's Participation, HRC agrees to remit to the Participant the Participant's share of all monies to which

it is entitled under this agreement.

HRC shall be entitled a period of ten business days from the date of receipt of funds or clearance of funds to determine the amount the Participant is entitled to receive after deducting any costs or expenses related to the Participant's Participation which HRC is entitled to deduct. HRC, in its discretion, may make specific distributions to a Participant if and when it deems appropriate. This means HRC may make a distribution to one Participant and not another.

7. Closing of the Participant's Participation

The Parties agree that in the event HRC shall not advance the entire amount of the Participant's Participation to the Borrower for any reason whatsoever, then the Participant's Participation shall be returned forthwith to the Participant without interest or reduction, and this Agreement shall become null and void.
In the event that HRC shall advance only part of the Participant's Participation to the Borrower for any reason whatsoever, then HRC may, at its option, either return a part or the whole of the Participant's Participation forthwith to the Participant, without interest or deduction, in which event this Agreement shall become null and void or this Agreement shall apply only to the portion of the Participant's Participation that was advanced to the Borrower. Furthermore, HRC may proceed to subscribe for the remaining amount of the Participant's Participation for its own account.

8. Default of Participant's Participation

Upon default being made under the Loan Agreement by the Borrower, the Participant agrees that HRC shall be vested with the following rights:

i. To make such decisions, to take such action and exercise all such rights and remedies as HRC may, in its absolute discretion, deem advisable in the best interests of all Participants in the Loan, including the right to re-negotiate the Loan upon such terms as HRC shall deem advisable;

ii. To hire, or otherwise retain the services of a receiver, solicitor, appraiser and such other parties who HRC, in its discretion, deems necessary or advisable to enforce the rights of HRC and to pay reasonable fees for all such services;

iii. To request that each Participant in the Loan advance such further monies (the "Required Funds") which HRC in its discretion deems desirable or necessary in order to protect the Loan and the Participant's Participation. In the event the Participants fails to advance the Required Funds, HRC and/or any other participants in the Loan may advance the Required Funds and, in such event, the party or parties which advanced the Required Funds shall have a lien and charge against the Participant's Participation. Such advances made shall bear interest on the amount advanced at the rate of 25% per annum, calculated monthly, in arrears not in advance;

iv. The administrator shall promptly notify each lender or investor if the borrower defaults under the Loan.

9. HRC Administrator and Trustee Powers

The Participant expressly authorizes HRC to make all decisions and take any actions it may deem necessary to protect principal advanced under the Loan and enhance the value of the security including without limitation changing the nature and scope of the mortgage security.

10. Notifications Re Encumbrances

HRC will promptly notify Participants if it becomes aware of a subsequent encumbrance on the mortgaged property or any significant change in circumstances affecting the Loan.

Initial [redacted]

11. Relationship of Participant to HRC

It is expressly understood and agreed that the Participant's Participation is in no way to be deemed an investment in HRC, or any of its affiliates, subsidiaries, employees or officers, or a borrowing by HRC or any of its affiliates, subsidiaries, employees or offices from the Participant, and repayment of the Participant's Participation is in no way, either directly or indirectly, guaranteed by HRC or any of its affiliates, subsidiaries, employees or officers, other than any the corporate guarantee for the amount of the Participant's Participation being provided by HRC.

The parties hereto further acknowledge and agree that the Participant's decision to participate in the Loan has not been induced by, nor does the Participant rely upon or regard as material, any representation or promise whatsoever with respect to the Loan, whether oral or otherwise, by whomsoever made, except as set out in this document, and the Investor/Lender Disclosure required under FSCO Regulations the Mortgage Administration Agreement executed between HRC and the Participant.

12. Registration of Interest on Title

The Participant covenants and agrees, which covenant and agreement shall be binding upon his heirs, administrators, successors and assigns, not to register on title to the property which is the subject matter of the Participant's Participation as set out herein, the within Agreement, any notice thereof, or any assignment, mortgage, hypothecation, or transfer thereof, whether directly or indirectly, and it is expressly understood and agreed that if the within Agreement, any notice thereof or any assignment, hypothecation, or transfer thereof, whether directly or indirectly, shall be registered contrary to the provisions hereof, then in any such event, HRC may, at its option, declare this Agreement terminated and pay to the Participant, in full and complete satisfaction of any claims by the Participant, four-fifths ($^4/_{5^{ths}}$) of the balance of the Participant's Participation then outstanding, without interest, and the balance shall be retained by HRC as liquidated damages and not as a penalty.

13. Discharge of Security

It is further understood and agreed, that HRC is hereby empowered to give a good and valid discharge or assignment of the Loan without the consent of the Participants in the Loan, provided all monies due under the Loan as originally agreed upon or as amended, together with all other costs and charges, have been fully repaid or will be fully repaid under the terms of any discharge or assignment.

14. Duty of HRC

HRC, so long as it acts in good faith, shall not be responsible with respect to the exercise and/or non-exercise of its powers hereunder. HRC shall only be liable for wrongful acts or breaches of this Agreement and HRC shall not be liable for any error in judgement.

15. Transfer of Interest

The Participant covenants and agrees that he will not sell, assign, transfer, pledge, mortgage, charge, hypothecate or otherwise dispose of, encumber or deal with his Participation except with the prior written consent of HRC which consent may be unreasonably withheld. In the event that the Participant obtains the said written consent of HRC, no such sale, assignment, transfer, pledge, mortgage, charge, hypothecation or other disposition of or encumbrance of dealing with the Participant's Participation shall be valid or effective unless or until the person, firm or corporation to whom the Participant's Participation has been sold, assigned, transferred, pledged, mortgaged, charged, hypothecated or otherwise disposed of, encumbered or dealt with shall have entered into an agreement with HRC consenting to the terms hereof and agreeing to assume all of the obligations of the Participant and to be bound by all of the terms hereof as though he were the Participant.

Provided further that, notwithstanding any such sale, assignment, transfer, pledge, mortgage, charge, hypothecation or other disposition of, encumbrance or dealing with the Participant's Participation, the Participant

shall continue to be liable hereunder as though no such sale, assignment, transfer, pledge, mortgage, charge, hypothecation or other disposition of, encumbrance or dealing with the interest of the Participant in the Participant's Participation has been made.

16. Loan Documents

The Parties hereto agree that all relevant documents pertaining to the Loan and the Participant's Participation shall remain in the possession of HRC and shall be held by HRC for and on behalf of HRC and all the Participants in the Loan, subject to the terms of this Agreement. It is understood and agreed that the Participants in the Loan shall be entitled to examine said documents at the office of HRC during normal business hours and upon giving reasonable advance notice of their desire to examine such documents. HRC, as part of its reporting to Participants as asset manager shall forward a closing book containing, among other things, all security documentation executed by the Borrower.

17. Tax Act

Notwithstanding any other provision contained in this Agreement, if any Participant in the Loan is a trust which is governed by a registered retirement savings plan, then any provision in this Agreement which shall be interpreted to mean that the Participant's Participation is not a qualified Participant's Participation within the meaning of Paragraph 146(1) (g) of the Income Tax Act, shall not be applicable to the said Participant.

18. Entire Agreement

This Agreement expresses the entire and final agreement between the Parties hereto with respect to all matters herein and the Parties agree that the execution of this Agreement has not been induced by, nor do any of the Parties hereto rely upon or regard as material, any representation or promises whatsoever, whether oral or otherwise, by whomsoever made, except as hereinbefore expressly set out, nor shall any such representations, whether oral or otherwise, have the effect of varying or altering the terms of this Agreement.

19. Jurisdiction

The Parties hereto covenant and agree that in the interpretation and application of any of the provisions and terms of this Agreement, the laws of the Province of Ontario shall apply and the Participant hereby attorns to the jurisdiction of Ontario in the event of any dispute arising from this or any other agreement between HRC and the Participant.

20. Interpretation

The term "Participant", "Parties", "Borrower" and the personal pronouns "he", "his", and/or "their" relating thereto and used therewith shall be used and construed as the number and gender of the party referred to in each case requires, and the verb agreeing therewith shall be construed as agreeing with the said word or pronouns so substituted.

21. Successors and Assigns

This Agreement shall be binding upon the Participant and everything herein contained shall enure to the benefit of and be binding upon the Parties hereto and their respective heirs, executors, administrators, successors and assigns.

22. Closing Subscriptions

The Participant agrees that should HRC have subscriptions from Participants for less than the full amount of the Loan HRC may close on the Loan and advance the Participants Participation. The Participant acknowledges that HRC may not be able to raise the remaining amount of the Loan from other participants, which would pose a risk to the security of the Loan and the Participant's Participation.

Initial [redacted]

APPENDIX J

MORTGAGE ADMINISTRATION AGREEMENT

THIS AGREEMENT DATED the 7TH day of MARCH, 2015

BETWEEN:

HI-RISE CAPITAL LTD.

of the City of Toronto, Province of Ontario
(hereinafter called the "Trustee")

-AND- [redacted]

of the City of MISSISSAUGA, Province of ONTARIO
(hereinafter called the "Beneficiary" individually and the "Beneficiaries" collectively)

WHEREAS the Trustee will hold an interest in the second mortgage registered against **263 Adelaide Street West, Toronto** (the "Investment") in the name of Hi-Rise Capital Ltd.;

AND WHEREAS the Beneficiaries have paid and advanced the sum of ~~SEVENTY~~ Seventy Three N.A. As per CWT draw. Thousand Dollars ($~~70,000~~ 73,000.00) **as a portion of the Mortgage to the Trustee;** N.A.

AND WHEREAS the Trustee holds the amount advanced by the Beneficiaries as trustee for the Beneficiaries;

AND WHEREAS the Beneficiaries have an undivided beneficial interest in the Investment to the extent of the portion advanced;

AND WHEREAS the rights and obligations of the parties are more particularly set out in the attached Loan Participation Agreement **# 10-1010-2** and the Beneficiary is known as the "Participant";

NOW THEREFORE this agreement witnesseth that in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

THE TRUSTEE ACKNOWLEDGES AND AGREES that he is the mortgagee and investor pursuant to the Investment as trustee for the Beneficiaries;

THE TRUSTEE UNDERTAKES AND AGREES to deliver a conveyance of the Beneficiaries' entire interest in the Investment upon the Beneficiaries' request for the same and undertakes and agrees to execute any and all documentation necessary to give effect to the same with all costs to be borne by the Beneficiaries;

THE PARTIES HERETO AGREE that this Agreement shall be binding upon the parties hereto, their successors and assigns.

IN WITNESS WHEREOF the parties hereto have herein set their hands and seals.

SIGNED, SEALED AND DELIVERED

HI-RISE CAPITAL LTD.
Mortgage Brokerage # 10897
Mortgage Administrator # 11893

[redacted]
Beneficiary

Jim Neilas, Managing Director

[redacted]
Signature

LOAN PARTICIPATION AGREEMENT

Participation Agreement #**10-1010**

THIS PARTICIPATION AGREEMENT MADE

BETWEEN

HI-RISE CAPITAL LTD.
(hereinafter called "**HRC**")

OF THE FIRST PART

-AND-

PERSON(S) AND/OR ENTITY AS PER THE MORTGAGE ADMINISTRATION AGREEMENT TO WHICH THIS AGREEMENT IS ATTACHED
(hereinafter called the "**Participant**")

OF THE SECOND PART

WHEREAS HRC has given to the Participant the opportunity to participate in a certain loan which is a participating loan, (hereinafter called the **"Loan"**) made or to be made to the borrower hereinafter set out (hereinafter called the **"Borrower"**) upon the terms set out in the Participant's Participation documentation between the Borrower and HRC;

AND WHEREAS HRC and the Participant agree that the relationship between HRC and the Participant shall be governed by the following terms and conditions:

Name of Borrower:	**Adelaide Street Lofts Inc.**
Participant's Participation:	**Amount set out in the Mortgage Administration Agreement**
Participating Lender:	**Hi-Rise Capital Ltd.**
Priority in Mortgage Loan:	*There is a second mortgage registered against the subject property in the name of both Hi-Rise Capital Ltd. and Canadian Western Trust. Canadian Western Trust will hold an interest of $9,500,000.00 ahead of Hi-Rise Capital Ltd.* ***As a registered investor**, you participate in this second mortgage through Canadian Western Trust. As between the second mortgagees, Hi-Rise Capital Ltd. is subordinated to Canadian Western Trust. In the event of an insolvency or liquidation of the borrower, the claims of Canadian West Trust. will rank senior to the claims of Hi-Rise Capital Ltd..*
Project Name:	**Adelaide Street Lofts (the "Project")**
Security:	**2nd Mortgage** *I understand that during the course of this investment, the Borrower anticipates obtaining additional construction financing for the Property which is expected to take priority. I hereby understand, consent, and agree that other charges/ mortgages and/or development agreement may be registered in priority to the charge of the Property.*
Prior Mortgages:	**1st Mortgage (Refer to Disclosure Documents)**
Amount of Loan:	**$40,000,000** *(I understand that the mortgage shall be initially registered indicating a face value of $40,000,000 and from time to time, the loan amount will increase upon the completion of certain development and construction milestones on the Property by the Borrower, eventually replaced by construction/project financing).*
Term of the Mortgage/Investment:	**4 Years** *Maturity Date: (February 1, 2018) – At the Borrower's option (to be exercised in writing not less than one (1) month prior to Maturity Date); the Borrower may extend the Maturity Date for twenty-four (24) additional months.*

Initial [redacted]

Fixed Interest Rate:	HRC agrees to pay the Participant a fixed rate of **10.5%** per annum (less 0.5% mortgage administration fee) as and when received from the Borrower *(The right of interest on delayed interest payments does not apply).*
*Bonus Interest Payment:	**2%** Accrued per annum payable upon completion of the project.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the covenants herein contained and the sum of TEN ($10.00) DOLLARS now paid by each of the parties (the **"Parties"**) to the other (the receipt of which is hereby acknowledged by each of the Parties) and other good and valuable consideration, the Parties hereto hereby agree as follows:

1. **Acknowledgement**

i. Canadian Western Trust will rank ahead of Hi-Rise Capital Ltd. in the second mortgage. Hi-Rise Capital Ltd. is postponing to Canadian Western Trust for $9,500,000.00 plus 18% interest per annum minus the administration fee. Canadian Western Trust's interest in the mortgage may increase from time to time.

ii. I understand that sometime in the future, the Borrower will renew or replace the first charge/mortgage on the property.

iii. I understand that during the course of this investment, the Borrower anticipates obtaining additional construction financing for the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

iv. I understand, consent and agree that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the property during the term of my investment in the second charge/mortgage registered in the name of Hi-Rise Capital Ltd.

v. I hereby confirm, understand and agree that the second charge/mortgage in which I have invested shall be required to postpone and standstill to prior charges/mortgages if required, in priority financing. I understand that priority financing is expected to periodically increase over the term of the second charge/mortgage and that such postponements shall be permitted.

vi. I hereby confirm, understand and agree that HRC may elect to defer the interest payment payable to the investor and capitalize interest payments until deemed reasonably necessary as determined by Hi-Rise Capital Ltd acting reasonably in the benefit of the Investor (Beneficiary) and/or the project/Borrower. Such deferral of interest payments will not constitute an act of default by the Borrower.

vii. I hereby confirm, understand and agree that the second charge/mortgage in which I have invested shall be required to postpone and standstill to permit the registration of certain agreements for the purpose of facilitating the planned development of the property. The trustees of this charge/mortgage may execute such documents when needed. An example of such agreements includes (but not limited to):

- Site plans
- Mezzanine financing
- Insurance on purchase deposits
- Condominium registration docs, etc.

viii. I understand that additional priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which I am investing. In the event of a shortfall in the funding of this charge/mortgage, I understand and agree that other charges/mortgages may be registered against the property to fund and secure any such shortfall.

ix. I understand that the additional priority, construction and other financing will change the LTV ratios of the project.

Initial [redacted]

2. **Use of Funds**

HRC agrees to advance the Participant's Participation to the Borrower upon the terms and conditions contained in the Loan Commitment issued by HRC to the Borrower.

3. **Redemption of Participant's Participation**

The following redemption will apply to redemption of any part of the Participant's Participation:

i. On or before the first 12 months from the date HRC receives the Participant's Participation, if the Participant wants to redeem its Participation, the Participant will pay a fee equal to 25% of the amount redeemed;
ii. On or before the first 24 months from the date HRC receives the Participant's Participation, if the Participant wants to redeem its Participation, the Participant will pay a fee equal to 20% of the amount redeemed;
iii. On or before the first 36 months from the date HRC receives the Participant's Participation, if the Participant wants to redeem its Participation, the Participant will pay a fee equal to 15% of the amount redeemed;
iv. At any time before the first 48 months from the date HRC receives the Participant's Participation, if the Participant wants to redeem its Participation, the Participant will pay a fee equal to 10% of the amount redeemed;

And in addition to the above fees, HRC shall deduct all interest payments received by the Participant for the amount being redeemed.

4. **Priority of Return**

Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC on account of the Loan shall be applied in the following manner:

Firstly: Pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Loan;

Secondly: Any and all remaining monies shall be distributed pro-rata to each Participant based on each Participant's proportionate share of the total amount invested by all of the Participants and the share of profits received from HRC on behalf of all of the Participants from the Borrower or of any proceeds of disposition from any action taken by HRC to enforce its security against the Borrower.

The above excludes monies received by HRC if it markets another Participant's Participation during the term of the Loan and receives monies for the sale of that other Participant's Participation. Those monies shall be considered trust funds of the other Participant and shall not be distributed according to the Priority of Return set out above but shall be distributed to the other Participant in their entirety or according to the brokerage agreement between the Participant and HRC.

5. **Syndication, Asset Management, and other Fees**

The Participant acknowledges that fees are payable to HRC and Neilas Inc. or a related entity for its role in the Loan pursuant to and in accordance with the disclosure documentation provided to the Participant, as same may be amended from time to time. A 5% administration fee is paid to HRC.

6. **Remittance of Proceeds**

Forthwith upon the receipt of payments on account of the Loan by way of certified cheque and/or forthwith upon clearance by HRC or its banker of any uncertified cheques received on account of payments representing the Participant's Participation, HRC agrees to remit to the Participant the Participant's share of all monies to which

it is entitled under this agreement.

HRC shall be entitled a period of ten business days from the date of receipt of funds or clearance of funds to determine the amount the Participant is entitled to receive after deducting any costs or expenses related to the Participant's Participation which HRC is entitled to deduct. HRC, in its discretion, may make specific distributions to a Participant if and when it deems appropriate. This means HRC may make a distribution to one Participant and not another.

7. Closing of the Participant's Participation

The Parties agree that in the event HRC shall not advance the entire amount of the Participant's Participation to the Borrower for any reason whatsoever, then the Participant's Participation shall be returned forthwith to the Participant without interest or reduction, and this Agreement shall become null and void.
In the event that HRC shall advance only part of the Participant's Participation to the Borrower for any reason whatsoever, then HRC may, at its option, either return a part or the whole of the Participant's Participation forthwith to the Participant, without interest or deduction, in which event this Agreement shall become null and void or this Agreement shall apply only to the portion of the Participant's Participation that was advanced to the Borrower. Furthermore, HRC may proceed to subscribe for the remaining amount of the Participant's Participation for its own account.

8. Default of Participant's Participation

Upon default being made under the Loan Agreement by the Borrower, the Participant agrees that HRC shall be vested with the following rights:

i. To make such decisions, to take such action and exercise all such rights and remedies as HRC may, in its absolute discretion, deem advisable in the best interests of all Participants in the Loan, including the right to re-negotiate the Loan upon such terms as HRC shall deem advisable;

ii. To hire, or otherwise retain the services of a receiver, solicitor, appraiser and such other parties who HRC, in its discretion, deems necessary or advisable to enforce the rights of HRC and to pay reasonable fees for all such services;

iii. To request that each Participant in the Loan advance such further monies (the "Required Funds") which HRC in its discretion deems desirable or necessary in order to protect the Loan and the Participant's Participation. In the event the Participants fails to advance the Required Funds, HRC and/or any other participants in the Loan may advance the Required Funds and, in such event, the party or parties which advanced the Required Funds shall have a lien and charge against the Participant's Participation. Such advances made shall bear interest on the amount advanced at the rate of 25% per annum, calculated monthly, in arrears not in advance;

iv. The administrator shall promptly notify each lender or investor if the borrower defaults under the Loan.

9. HRC Administrator and Trustee Powers

The Participant expressly authorizes HRC to make all decisions and take any actions it may deem necessary to protect principal advanced under the Loan and enhance the value of the security including without limitation changing the nature and scope of the mortgage security.

10. Notifications Re Encumbrances

HRC will promptly notify Participants if it becomes aware of a subsequent encumbrance on the mortgaged property or any significant change in circumstances affecting the Loan.

11. Relationship of Participant to HRC

It is expressly understood and agreed that the Participant's Participation is in no way to be deemed an investment in HRC, or any of its affiliates, subsidiaries, employees or officers, or a borrowing by HRC or any of its affiliates, subsidiaries, employees or offices from the Participant, and repayment of the Participant's Participation is in no way, either directly or indirectly, guaranteed by HRC or any of its affiliates, subsidiaries, employees or officers, other than any the corporate guarantee for the amount of the Participant's Participation being provided by HRC.

The parties hereto further acknowledge and agree that the Participant's decision to participate in the Loan has not been induced by, nor does the Participant rely upon or regard as material, any representation or promise whatsoever with respect to the Loan, whether oral or otherwise, by whomsoever made, except as set out in this document, and the Investor/Lender Disclosure required under FSCO Regulations the Mortgage Administration Agreement executed between HRC and the Participant.

12. Registration of Interest on Title

The Participant covenants and agrees, which covenant and agreement shall be binding upon his heirs, administrators, successors and assigns, not to register on title to the property which is the subject matter of the Participant's Participation as set out herein, the within Agreement, any notice thereof, or any assignment, mortgage, hypothecation, or transfer thereof, whether directly or indirectly, and it is expressly understood and agreed that if the within Agreement, any notice thereof or any assignment, hypothecation, or transfer thereof, whether directly or indirectly, shall be registered contrary to the provisions hereof, then in any such event, HRC may, at its option, declare this Agreement terminated and pay to the Participant, in full and complete satisfaction of any claims by the Participant, four-fifths ($^{4}/_{5}^{ths}$) of the balance of the Participant's Participation then outstanding, without interest, and the balance shall be retained by HRC as liquidated damages and not as a penalty.

13. Discharge of Security

It is further understood and agreed, that HRC is hereby empowered to give a good and valid discharge or assignment of the Loan without the consent of the Participants in the Loan, provided all monies due under the Loan as originally agreed upon or as amended, together with all other costs and charges, have been fully repaid or will be fully repaid under the terms of any discharge or assignment.

14. Duty of HRC

HRC, so long as it acts in good faith, shall not be responsible with respect to the exercise and/or non-exercise of its powers hereunder. HRC shall only be liable for wrongful acts or breaches of this Agreement and HRC shall not be liable for any error in judgement.

15. Transfer of Interest

The Participant covenants and agrees that he will not sell, assign, transfer, pledge, mortgage, charge, hypothecate or otherwise dispose of, encumber or deal with his Participation except with the prior written consent of HRC which consent may be unreasonably withheld. In the event that the Participant obtains the said written consent of HRC, no such sale, assignment, transfer, pledge, mortgage, charge, hypothecation or other disposition of or encumbrance of dealing with the Participant's Participation shall be valid or effective unless or until the person, firm or corporation to whom the Participant's Participation has been sold, assigned, transferred, pledged, mortgaged, charged, hypothecated or otherwise disposed of, encumbered or dealt with shall have entered into an agreement with HRC consenting to the terms hereof and agreeing to assume all of the obligations of the Participant and to be bound by all of the terms hereof as though he were the Participant.

Provided further that, notwithstanding any such sale, assignment, transfer, pledge, mortgage, charge, hypothecation or other disposition of, encumbrance or dealing with the Participant's Participation, the Participant

shall continue to be liable hereunder as though no such sale, assignment, transfer, pledge, mortgage, charge, hypothecation or other disposition of, encumbrance or dealing with the interest of the Participant in the Participant's Participation has been made.

16. Loan Documents

The Parties hereto agree that all relevant documents pertaining to the Loan and the Participant's Participation shall remain in the possession of HRC and shall be held by HRC for and on behalf of HRC and all the Participants in the Loan, subject to the terms of this Agreement. It is understood and agreed that the Participants in the Loan shall be entitled to examine said documents at the office of HRC during normal business hours and upon giving reasonable advance notice of their desire to examine such documents. HRC, as part of its reporting to Participants as asset manager shall forward a closing book containing, among other things, all security documentation executed by the Borrower.

17. Tax Act

Notwithstanding any other provision contained in this Agreement, if any Participant in the Loan is a trust which is governed by a registered retirement savings plan, then any provision in this Agreement which shall be interpreted to mean that the Participant's Participation is not a qualified Participant's Participation within the meaning of Paragraph 146(1) (g) of the Income Tax Act, shall not be applicable to the said Participant.

18. Entire Agreement

This Agreement expresses the entire and final agreement between the Parties hereto with respect to all matters herein and the Parties agree that the execution of this Agreement has not been induced by, nor do any of the Parties hereto rely upon or regard as material, any representation or promises whatsoever, whether oral or otherwise, by whomsoever made, except as hereinbefore expressly set out, nor shall any such representations, whether oral or otherwise, have the effect of varying or altering the terms of this Agreement.

19. Jurisdiction

The Parties hereto covenant and agree that in the interpretation and application of any of the provisions and terms of this Agreement, the laws of the Province of Ontario shall apply and the Participant hereby attorns to the jurisdiction of Ontario in the event of any dispute arising from this or any other agreement between HRC and the Participant.

20. Interpretation

The term "Participant", "Parties", "Borrower" and the personal pronouns "he", "his", and/or "their" relating thereto and used therewith shall be used and construed as the number and gender of the party referred to in each case requires, and the verb agreeing therewith shall be construed as agreeing with the said word or pronouns so substituted.

21. Successors and Assigns

This Agreement shall be binding upon the Participant and everything herein contained shall enure to the benefit of and be binding upon the Parties hereto and their respective heirs, executors, administrators, successors and assigns.

22. Closing Subscriptions

The Participant agrees that should HRC have subscriptions from Participants for less than the full amount of the Loan HRC may close on the Loan and advance the Participants Participation. The Participant acknowledges that HRC may not be able to raise the remaining amount of the Loan from other participants, which would pose a risk to the security of the Loan and the Participant's Participation.

Initial [redacted]

CANADIAN WESTERN TRUST
Canadian Western Bank Group

Investing In an Arm's Length Mortgage

(Authorization Letter)
(Arm's Length Declaration)

Investor Mortgage Services
Suite 600 – 750 Cambie Street
Vancouver, BC, V6B 0A2
Fax : (604) 699-4900
Tel : (604) 685-2081
Toll Free : 1 (800) 663-1124
E-mail : informationservices@cwt.ca

Annuitant Name : [redacted]

Address : [redacted]

Plan # : [redacted] S.I.N. # : [redacted]
("the Plan")

I hereby authorize Canadian Western Trust as trustee under the Plan to lend out of the assets of the Plan, by way of a registered ☐ **first** ☑ **second** ☐ **third** *(please check appropriate box)* and that this mortgage does not exceed the Canadian Western Trust standard 30% maximum annual return, mortgage (the "Mortgage") over real property in Canada, the sum of $ 73000.00 held in the Plan to Adelaide Street Lofts Inc.
(the "mortgagor")

I hereby authorize Canadian Western Trust to release the mortgage proceeds to my lawyer/notary:
Hi-Rise Capital Ltd. "in trust".

I do solemnly declare that:
- I am the annuitant under the Plan.
- I am not the Mortgagor.
- I deal at arm's length with the Mortgagor for the purposes of the Income Tax Act (Canada).
- If the borrower is a company, I do not own a controlling interest in the company.
- If the borrower is a company, I am not related by blood, marriage or adoption to any of the individuals who own a controlling interest in the company.

Note to Annuitant: Whether you and the Mortgagor deal at "arm's length" for the purposes of the Income Tax Act, if you have any direct or indirect connection or relationship with the Mortgagor, Canadian Western Trust recommends that you obtain professional advice as to whether you and the Mortgagor deal at arm's length for the purposes of the Income Tax Act.

I acknowledge that CWT is not in the business of providing investment advice or direction with respect to the purchase of any security and has undertaken no due diligence and made no determination whatsoever as to whether the Arm's Length Mortgage is qualified as an investment for registered plans under applicable Canadian Income Tax Legislation or is a suitable investment for myself, such matters being the responsibility of the Annuitant's professional advisors;

CANADIAN WESTERN TRUST
Canadian Western Bank Group

I acknowledge that the purchase of the Arm's Length Mortgage may be a high risk investment and that I am aware that in directing CWT to purchase the Arm's Length Mortgage on my behalf, I may be at risk of losing all of the money invested in such purchase.

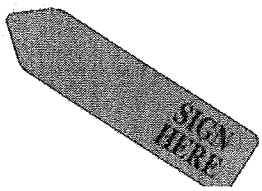
I agree to indemnify and save harmless CWT from any and all suits, claims, costs or actions resulting from my investing my RRSP/RRIF funds in the above mentioned Arm's Length Mortgage, as well as all costs incurred by CWT either to defend itself from any such suits, claims, costs or actions or to enforce this indemnity.

I hereby certify that the mortgagor is a party with whom I deal at arm's length and that the mortgage complies as defined by the Income Tax Act.

[redacted]

Authorized Signatory

Date: 07/03/2015.



APPENDIX K

MILLER THOMSON
AVOCATS | LAWYERS

MILLER THOMSON LLP
SCOTIA PLAZA
40 KING STREET WEST, SUITE 5800
P.O. BOX 1011
TORONTO, ON M5H 3S1
CANADA

T 416.595.8500
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MILLERTHOMSON.COM

May 15, 2020

Stephanie De Caria
Direct Line: 416.595.2652
sdecaria@millerthomson.com

Delivered Via Email

Cassels Brock & Blackwell LLP
Attention: John Birch
2100 – 40 King Street West
Toronto ON
M5H 3C2

and

High-Rise Capital Ltd.
Attention: Noor Al-Awqati
130 King Street West, Suite 1800
Toronto, ON
M5X 1E3

Dear Sir/Miss:

Re: Loan Participation Agreements and Distribution Matters

Pursuant to the Minutes of Settlement dated December 20, 2019, as amended, Representative Counsel is responsible for Distribution of the Investor Settlement Amount (as such terms are defined therein).

As you know, in April 2020, Hi-Rise Capital Ltd. ("**Hi-Rise**") provided Representative Counsel with Loan Participation Agreements (each an "**LPA**") for each Investor in Hi-Rise. In addition, Hi-Rise provided an index (the "**Master Index**") that sets out, among other things, (a) the name of each Investor, (b) the relative priority of the Investors' respective investments and in particular, whether a particular Investor is recorded as a Registered Investor or Non-Registered Investor in Hi-Rise's records, (c) the number of LPAs that each Investor has executed and (d) the amount of his or her investment. We have had now had the opportunity to review each LPA and write this letter to address certain issues with respect to same.

As noted above, there are two categories of Investors, being Non-Registered Investors (being the subordinated investors) and Registered Investors (being the priority investors). Hi-Rise's initial application motion record dated March 19, 2019 includes sample LPAs for each of these Investors. Specifically, an example of a Non-Registered Investors' LPA (the "**Standard Non-Registered LPAs**") is attached as Exhibit "A" to the Affidavit of Noor Al-Awqati sworn 19, 2020 (the "**Affidavit**") and an example of a Registered Investors' LPA is attached as Exhibit "B" to the Affidavit (the "**Standard Registered LPAs**").

Based on our review, there are approximately 59 Standard Non-Registered LPAs and 258 Standard Registered LPAs.

Paragraph 8 of the Affidavit indicates that the wording of the LPAs changed slightly over the course of the project, and identifies 4 other iterations of the LPAs in addition to the standard LPAs noted above.

Iterations of LPAs & Categories of Investors

Upon reviewing each LPA, it has come to Representative Counsels' attention that there are a total of 12 iterations of the LPAs, and one of these iterations has 3 further sub-variations (whereby the iteration type varies slightly in the language).

Enclosed please find a chart that sets out: (a) each of the 12 LPA iterations; (b) the language contained in these 12 iterations (cut and pasted directly from the LPAs); (c) the total number of LPAs within each iteration; and (d) whether Investors with such LPAs are categorized by Hi-Rise as Registered or Non-Registered Investors in the Master Index.

As you will see from the attached chart, these different iterations of LPAs are conflicting on various grounds. We are hopeful that you can assist by providing an explanation and clarification in respect of certain issues so that we may commence our Distribution analysis. In particular:

1. Some LPA iterations (*i.e.,* types 1, 2, 3, 4) indicate that the mortgage amount held by Canadian Western Trust, is $24,500,000, while other LPA iterations (*i.e.,* types 6, 9, 12) state that the mortgage amount held by Canadian Western Trust is $9,500,000.

2. The language in LPA iteration type 1 "Priority in the Security" section is conflicting in that it states that the Investor is a "Subordinated Investor" (which would mean that the Investor is a Non-Registered Investor), but continues to state in the same paragraph "As a registered investor, the Participate participates in this second mortgage through Western Trust.".

3. LPA iteration type 7 does not contain any language regarding the priority of the investment. We believe this iteration of the LPAs may have been executed by Investors when there was only one type of investment – a cash investment, and when the option to invest through a registered account did not exist.

4. LPA iteration type 8 indicates in the "Priority in Mortgage Loan" section that the Investors are a "1st Priority Investor" (which would mean that the Investor is a Registered Investor), however every single Investor with this LPA iteration type is listed as a Non-Registered Investor in the Master Index.

5. LPA iteration type 10 indicates in the "Priority in Mortgage Loan" section that the investor is a "2nd Priority Subordinated Investor at 85% LTV". There is only 1 LPA with this iteration, and it is unclear why this is the case or what this means.

6. Lastly, notwithstanding that Investors fall within the same LPA iteration type and have the exact same investment document, some Investors are listed as Registered Investors and others as Non-Registered Investors in the Master Index. Details of same are fully set out in the enclosed chart.

Can you please provide us with an explanation/clarification on the above-noted points?

Further, in respect of #3 above, please advise as to whether these Investors: (a) were notified when the Registered investment option became available; (b) were provided with the opportunity to participate in same by transferring a Non-Registered investment to a Registered account; and (c) executed any subsequent agreements to reflect their subordinated status once the Registered investment options were sold by Hi-Rise.

De-Registered Investors

We understand that a portion of certain Registered Investors' investments have been de-registered from such registered account, and that such de-registered portion of the investment is now being treated as a "Non-Registered" investment. Such Investors' de-registered portions appear in the Non-Registered list of the Master Index.

Please advise as to whether these Investors were notified when a portion of their investments were "deregistered", and whether they were notified that their "deregistered" portions were being classified as Non-Registered (and therefore subordinated) investments. Please advise if these Investors executed any agreements to reflect same.

LPAs containing "Neilas Inc." Language

In reviewing the LPAs, it has come to our attention that certain LPAs contain language regarding a profit share with Neilas Inc. or fees payable to Neilas Inc.

Of these LPAs that contain language regarding Neilas Inc., the terms and language also differs (examples of different LPAs identified are set out below). Please note that not all LPAs contain language with Neilas Inc.

Example 1:

Profit Participation:	Profit is to be shared as follows: Neilas Inc. (or a related company) 60% and Waterview Capital Corp. 40%. The Participant shall be entitled to its pro rate share of the amount of profit earned by Waterview Capital Corp. Its pro rata share shall be calculated by determining the Participant's percentage of the mortgage amount above.

Example 2:

Bonus Interest Payment:	A bonus interest payment will be made based on the following: Neilas Inc. (or a related company) as to 60% and HRC (as trustee for the Participant) as to 40% as per the Loan Commitment between HRC and the Borrower. The bonus will be calculated in the following manner: Net income shall be determined by referring to the net income of the Borrower as set out in the financial statements prepared by the accountants appointed by the Borrower (as expressed in the financial statements of the nominee taking title). The Participant shall be entitled to its pro rata share of the amount of net income earned by HRC as trustee for the Participant. The Participant's pro rata share of net income shall be considered a balloon interest payment as per the commitment between HRC and the Borrower (or its designated entity) and as may be amended from time to time. The Participant's portion of the bonus shall be calculated as follows:

Example 3:

4. Syndication, Asset Management, and other Fees

The Participant acknowledges that fees are payable to HRC and Neilas Inc. or a related entity for its role in the Loan pursuant to and in accordance with the disclosure documentation provided to the Participant, as same may be amended from time to time.

There does not seem to be any particular method or reason as to why some LPAs contain this language or why certain Investors agreed to a profit share arrangement or fee payment with Neilas Inc., and others did not. Can you please confirm why this is the case?

Pursuant to paragraph 16 of the Minutes of Settlement, it was agreed that 263 Holdings Inc. will be excluded from the distribution to investors. Representative Counsel was not aware of the above-noted language in certain agreements when it entered into the Minutes of Settlement, pursuant to which Mr. Jim Neilas stands to share in the profits from the investor settlement amount with some of the Investors. As you know, Mr. Neilas is already receiving settlement funds in the waterfall provided under the Minutes of Settlement.

Accordingly, Representative Counsel is of the view that Mr. Neilas, through Neilas Inc. or otherwise, ought not to receive any further amounts from the settlement proceeds. This is consistent with the intention of paragraph 16 of the Minutes of Settlement. Our position is that any language regarding Neilas Inc. in any of the LPAs ought to be disregarded and the distribution ought to be made to the Investor in full (without any payment to Neilas Inc.). For this reason, we copy Mr. Hall on this correspondence and ask for Mr. Hall's agreement to same.

We look forward to hearing from you.

Yours truly,

MILLER THOMSON LLP

Per:



Stephanie De Caria
SD/
cc: Geoff Hall

46703522.1

LPA ITERATION TYPE SUMMARY CHART

LPA ITERATION TYPE: 1. "CONFLICTING LANGUAGE"
Subordinated Investor The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("Western Trust"). Western Trust holds an interest in the second mortgage in the sum of $24,500,000.00. As a registered investor, the Participant participates in this second mortgage through Western Trust.
Total Number of LPAs with this Iteration: 22 **LPAs with this Iteration listed as "Registered Investor" in Master Index:** 2[1] **LPAs with this Iteration listed as "Non-Registered Investor" in Master Index:** 20

LPA ITERATION TYPE: 2. "MISSING LANGUAGE RE: MORTGAGE AND RE: INSOLVENCY"
Subordinated Investor The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("Western Trust"). Western Trust holds an interest in the second mortgage in the sum of $24,500,000.00.
Total Number of LPAs with this Iteration: 54 **LPAs with this Iteration listed as "Registered Investor" in Master Index:** 0 **LPAs with this Iteration listed as "Non-Registered Investor" in Master Index:** 54

LPA ITERATION TYPE: 3. "MISSING LANGUAGE RE: INSOLVENCY"
The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("Western Trust"). Western Trust holds an interest in the second mortgage in the sum of $24,500,000.00. As a registered investor, the Participant participates in this second mortgage through Western Trust.
Total Number of LPAs with this Iteration: 27 **LPAs with this Iteration listed as "Registered Investor" in Master Index:** 1[2] **LPAs with this Iteration listed as "Non-Registered Investor" in Master Index:** 26

[1] Investors King Shing Chan (Investment #2); and Hilda Vanderhoek
[2] Investor Lilian Rebelo

LPA ITERATION TYPE SUMMARY CHART

LPA ITERATION TYPE: 4. "CASH INVESTOR"
Subordinated Investor The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("Western Trust"). Western Trust holds an interest in the second mortgage in the sum of $24,500,000.00. As a cash investor, the Participant participates in this second mortgage through HRC.
Total Number of LPAs with this Iteration: 65 **LPAs with this Iteration listed as "Registered Investor" in Master Index:** 0 **LPAs with this Iteration listed as "Non-Registered Investor" in Master Index:** 65

LPA ITERATION TYPE: 5. "NO LANGUAGE AT ALL" (3 further sub-variations of this Iteration type)

Variation 1:

Participating Lender:	**Hi-Rise Capital Ltd.**
Priority in Mortgage Loan:	**2nd Priority (Subordinated Investor)**
Project Name:	**Adelaide Street Lofts (the "Project")**
Security:	**2nd Mortgage**
Prior Mortgages:	**1ST Mortgage (VTB – Refer to Disclosure Documents)**

Variation 2:

Participating Lender:	**Hi-Rise Capital Ltd.**
Priority in Mortgage Loan:	**Subordinated Investor**
Project Name:	**Adelaide Street Lofts (the "Project")**
Security:	**2nd Mortgage**
Prior Mortgages:	**1ST Mortgage (VTB – Refer to Disclosure Documents)**

Variation 3:

(continued on next page)

LPA ITERATION TYPE SUMMARY CHART

Participating Lender:	**Hi-Rise Capital Ltd.**
Priority in Mortgage Loan:	**Subordinated Investor**
Project Name:	**Adelaide Street Lofts (the "Project")**
Security:	**2nd Mortgage** *(I understand that during the course of this investment, the Borrower anticipates obtaining additional construction financing for the Property which is expected to take priority. I hereby understand, consent, and agree that other charges/ mortgages and/or development agreement may be registered in priority to the charge of the Property).*
Prior Mortgages:	**1st Mortgage (VTB – Refer to Disclosure Documents)**

Total Number of LPAs with this Iteration: 97

LPAs with this Iteration listed as "Registered Investor" in Master Index: 2[3]

LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: 95

LPA ITERATION TYPE: 6. "SUBORDINATED INVESTOR"

Subordinated Investor

There is a second mortgage registered against the Property in the name of both HRC and Canadian Western Trust. Canadian Western Trust will hold an interest of $9,500,000.00 in priority to HRC.

As between the second mortgagees, HRC is subordinated to Canadian Western Trust. In the event of an insolvency or liquidation of the Borrower, the claims of HRC will rank junior to the claims of Canadian Western Trust.

Total Number of LPAs with this Iteration: 15

LPAs with this Iteration listed as "Registered Investor" in Master Index: 2[4]

LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: 13

[3] Investors Michael Pendergrast and Reina Corriveau

[4] Investors Phillippe Decotignie and Rozzen Perron (note that these two Investors' LPAs have hand-written revisions to their LPA which cross-out the second paragraph noted in this LPA iteration. However, with the first paragraph only, it still indicates that they are a "Subordinated Investor" although they are listed as Registered Investors in the Master Index).

LPA ITERATION TYPE SUMMARY CHART

LPA ITERATION TYPE: 7. "EMPTY - 2nd Mortgage" (No "Priority in Mortgage Loan" section)
Total Number of LPAs with this Iteration: 33 **LPAs with this Iteration listed as "Registered Investor" in Master Index:** 1[5] **LPAs with this Iteration listed as "Non-Registered Investor" in Master Index:** 32

LPA ITERATION TYPE: 8. "1ST PRIORITY INVESTOR"	
Name of Borrower:	**Adelaide Street Lofts Inc.**
Participant's Participation:	**Amount set out in attached Trust Agreement**
Participating Lender:	**Hi-Rise Capital Ltd.**
Priority in Mortgage Loan:	**1st Priority Investor**
Project Name:	**Adelaide Street Lofts (the "Project")**
Security:	**2nd Mortgage**
Total Number of LPAs with this Iteration: 37 **LPAs with this Iteration listed as "Registered Investor" in Master Index:** 0 **LPAs with this Iteration listed as "Non-Registered Investor" in Master Index:** 37	

[5] Investor Stanley Bida

LPA ITERATION TYPE SUMMARY CHART

LPA ITERATION TYPE: 9. "SUBORDINATED INVESTOR – VARIANT"

Security:	**2nd Mortgage** registered on title to the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**")
Priority in the Security:	**Subordinated Investor** *The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("**Western Trust**"). Western Trust holds an interest in the second mortgage in the sum of $9,500,000.00.*
Prior Mortgages:	**1st Mortgage (Refer to Disclosure Documents)**

Total Number of LPAs with this Iteration: 22

LPAs with this Iteration listed as "Registered Investor" in Master Index: 4[6]

LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: 20

LPA ITERATION TYPE: 10. SUBORDINATED INVESTOR - LTV

Participating Lender:	Hi-Rise Capital Ltd.
Priority in Mortgage Loan:	2nd Priority Subordinated Investor at 85% LTV
Project Name:	Adelaide Street Lofts (the "Project")
Security:	2nd Mortgage
Prior Mortgages:	1ST Mortgage (VTB – Refer to Disclosure Documents)

Total Number of LPAs with this Iteration: 1[7]

LPAs with this Iteration listed as "Registered Investor" in Master Index: 0

LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: 1

[6] Investors Andy Cozens (Investment #2), Judy Lee Bessette, Sara Areza and Angela Subramaniam

[7] Joint Investors May Ng & Patrick Pak-Hon Cheng appear to be the only Investors with this iteration type

LPA ITERATION TYPE SUMMARY CHART

LPA ITERATION TYPE: 11. REGISTERED INVESTOR - COMMUNITY TRUST	
Security:	**2nd Mortgage** registered on title to the property municipally known as 263 Adelaide Street West, Toronto (the "**Property**")
Registration of the Security:	The second mortgage registered against title to the Property will be registered in favour of both HRC and Community Trust Company ("**Community Trust**"). As a registered investor, the Participant participates in this second mortgage through Community Trust.

Total Number of LPAs with this Iteration: 67

LPAs with this Iteration listed as "Registered Investor" in Master Index: 67

LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: 0

LPA ITERATION TYPE: 12. REGISTERED INVESTOR - $9.5M INTEREST CWT INTEREST	
Security:	**2nd Mortgage** registered on title to the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**")
Priority in the Security:	*The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("**Western Trust**"). Western Trust holds an interest in the second mortgage in the sum of $9,500,000.00. As a registered investor, the Participant participates in this second mortgage through Western Trust.*

Total Number of LPAs with this Iteration: 11

LPAs with this Iteration listed as "Registered Investor" in Master Index: 10

LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: 1[8]

[8] Investor Amarjit Singh Vohra

APPENDIX L

Cassels

June 3, 2020

Via E-Mail

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tel: +1 416 860 5225
fax: +1 416 640 3057
file # 48912-32

Greg Azeff
Miller Thomson LLP
Scotia Plaza
40 King Street West, Suite 5800
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Stephanie De Caria
Miller Thomson LLP
Scotia Plaza
40 King Street West, Suite 5800
Toronto, ON M5H 3S1

Dear Counsel:

Re: Hi-Rise Capital Ltd. re Adelaide Street Lofts Inc.

I write in response to your letter dated May 15, 2020 for the purpose of clarifying the different iterations of the Loan Participation Agreements (each an "LPA") noted in your letter and to assist you in your distribution analysis.

Hi-Rise Capital Ltd. has directed me to respond to your letter as follows:

> *For ease of reference, we have adopted the numbering contained in your letter for the various LPA iterations, below:*
>
> *1. Canadian Western Trust originally held a charge in the amount of $9,500,000. This charge was subsequently increased to $24,500,000 in July of 2015.*
>
> *2. The language in the LPA was drafted stating that all investors are subordinated in position unless an investor participates in the mortgage through a registered account, such as a RSP, at Canadian Western Trust.*
>
> *3. Please identify the LPAs with iteration type 7 in order to confirm your statement.*
>
> *4. LPA iteration type 8 was structured as a first priority, likely to provide the ability to register further loans, as needed, in a subordinate position in the future.*
>
> *5. Please identify the LPA with iteration type 10 in order to better address this concern.*

6. Similar to the explanation provided in point number 2 above, some LPAs only had one version for both registered and non-registered investors.

In 2014, all non-registered investors were notified of the registration in favour of Canadian Western Trust. A notification letter, along with an Investor/Lender Disclosure Renewal Form, was sent. No subsequent agreements were executed. The option to transfer an investment from a non-registered status to a registered vehicle was neither offered, nor requested.

De-Registered Investors
All impacted investors were notified of the deregistration pertaining to their registered investments, as directed by Community Trust Company. No further documentation or agreements were executed to reflect the deregistration.

LPAs containing "Neilas Inc." Language
We note, as you did, that this language pertains to Neilas Inc. Hi-Rise leaves it to Neilas Inc. to communicate its position.

Yours truly,

Cassels Brock & Blackwell LLP

John N. Birch
Services provided through a Professional Corporation

JNB/ph

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APPENDIX M

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 1. "CONFLICTING LANGUAGE"

Subordinated Investor
The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("Western Trust"). Western Trust holds an interest in the second mortgage in the sum of $24,500,000.00. As a registered investor, the Participant participates in this second mortgage through Western Trust.

Total numbers of LPAs with this Iteration: **24**
LPAs with this Iteration listed as "Registered Investor" in Master Index: **2**
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **22**

Summary of LPA Type:

Date:
September 11, 2015 to November 9, 2016

PA#s:
10-1010-3 (2)
10-1010-4 (14)
10-1010-5 (5)
10-1010-6 (2)
10-1010-8 (1)

Total Investment Amount:
$2,505,000

Subordination Clauses/ Relevant Clauses in LPA Type 1:
***note:** The following clauses appear in each of the PA#s noted above.

i. The Participant understands and acknowledges that Western Trust will rank ahead of HRC within the second mortgage. HRC is postponing its interest in the second mortgage to Western Trust in the sum o $24,500,000.00 plus 18% interest per annum, less any interest paid to Western Trust. Western Trust's interest in the second mortgage may increase from time to time. For greater clarity, in the event of an insolvency or liquidation of the Borrower, the claims of HRC will rank junior to the claims of Western Trust

iv. The Participant understands that during the course of the Project, the Borrower anticipates obtaining additional construction financing secured by the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

v. The Participant understands, consents and agrees that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the property during the term of the Participant's investment in the second mortgage registered in the name of HRC.

vi. The Participant hereby confirms, understands and agrees that the second charge/mortgage in which the Participant has invested shall be required to postpone and standstill to prior charges/mortgages if required, in priority financing. The Participant understands that priority financing is expected to periodically increase over the term of the second charge/mortgage and that such postponements shall be permitted.

LPA ITERATION SUMMARY CHART

xi. The Participant understand that additional priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which the Participant is investing. In the event of a shortfall in the funding of this charge/mortgage, the Participant understands and agrees that other charges/mortgages may be registered against the Property to fund and secure any such shortfall.

xii. The Participant understands that the additional priority, construction and other financing will change the loan-to-value ratios of the Project.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 2. "MISSING LANGUAGE RE: MORTGAGE AND RE: INSOLVENCY"
Subordinated Investor The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("Western Trust"). Western Trust holds an interest in the second mortgage in the sum of $24,500,000.00.
Total numbers of LPAs with this Iteration: **54** LPAs with this Iteration listed as "Registered Investor" in Master Index: **0** LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **54**
Summary of LPA Type:
Date: July 15, 2015 to July 26, 2016 **PA#s:** 10-1010- 3 (28) 10-1010- 4 (13) (*addition of 1.xiii - prepayment option by borrower) 10-1010- 5 (13) (*addition of 1.xiii - prepayment option by borrower) **Total Investment Amount:** $4,705,000
Subordination Clauses/Relevant Clauses in Type 2 LPA:
i. The Participant understands and acknowledges that Western Trust will rank ahead of HRC within th second mortgage. HRC is postponing its interest in the second mortgage to Western Trust in the sum o $24,500,000.00 plus 18% interest per annum, less any interest paid to Western Trust. Western Trust' interest in the second mortgage may increase from time to time. For greater clarity, in the event of a insolvency or liquidation of the Borrower, the claims of HRC will rank junior to the claims of Wester Trust. iv. The Participant understands that during the course of the Project, the Borrower anticipates obtaining additional construction financing secured by the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage. v. The Participant understands, consents and agrees that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the property during the term of the Participant's investment in the second mortgage registered in the name of HRC. vi. The Participant hereby confirms, understands and agrees that the second charge/mortgage in which the Participant has invested shall be required to postpone and standstill to prior charges/mortgages if required, in priority financing. The Participant understands that priority financing is expected to periodically increase over the term of the second charge/mortgage and that such postponements shall be permitted.

LPA ITERATION SUMMARY CHART

xi. The Participant understand that additional priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which the Participant is investing. In the event of a shortfall in the funding of this charge/mortgage, the Participant understands and agrees that other charges/mortgages may be registered against the Property to fund and secure any such shortfall.

xii. The Participant understands that the additional priority, construction and other financing will change the loan-to-value ratios of the Project.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 3. "MISSING LANGUAGE RE: INSOLVENCY"
The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("Western Trust"). Western Trust holds an interest in the second mortgage in the sum of $24,500,000.00. As a registered investor, the Participant participates in this second mortgage through Western Trust.
Total numbers of LPAs with this Iteration: **25** LPAs with this Iteration listed as "Registered Investor" in Master Index: **1** LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **24**
Summary of LPA Type:
Date: July 11, 2015 to February 1, 2016 **PA#s:** 10-1010-3 (25) **Total Investment Amount:** $1,527,000
Subordination Clauses/Relevant Clauses in Type 3 LPA:
i. The Participant understands and acknowledges that Western Trust will rank ahead of HRC within the second mortgage. HRC is postponing its interest in the second mortgage to Western Trust in the sum of $24,500,000.00 plus 18% interest per annum, less any interest paid to Western Trust. Western Trust's interest in the second mortgage may increase from time to time. For greater clarity, in the event of an insolvency or liquidation of the Borrower, the claims of HRC will rank junior to the claims of Western Trust. iv. The Participant understands that during the course of the Project, the Borrower anticipates obtainin additional construction financing secured by the Property which is expected to take priority to the firs charge/mortgage, changing its position to a second charge/mortgage. v. The Participant understands, consents and agrees that other charges/mortgages and/or developmen agreements may be registered in priority to the first/second charge/mortgage against the property durin the term of the Participant's investment in the second mortgage registered in the name of HRC. vi. The Participant hereby confirms, understands and agrees that the second charge/mortgage in which th Participant has invested shall be required to postpone and standstill to prior charges/mortgages i required, in priority financing. The Participant understands that priority financing is expected t periodically increase over the term of the second charge/mortgage and that such postponements shall b permitted.

LPA ITERATION SUMMARY CHART

xi. The Participant understand that additional priority financing may be required if there is a shortfal pursuant to the terms of the charge/mortgage in which the Participant is investing. In the event of a shortfall in the funding of this charge/mortgage, the Participant understands and agrees that othe charges/mortgages may be registered against the Property to fund and secure any such shortfall.

xii. The Participant understands that the additional priority, construction and other financing will change the loan-to-value ratios of the Project.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 4. "CASH INVESTOR"

Subordinated Investor
The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("Western Trust"). Western Trust holds an interest in the second mortgage in the sum of $24,500,000.00. As a cash investor, the Participant participates in this second mortgage through HRC.

Total numbers of LPAs with this Iteration: **29**
LPAs with this Iteration listed as "Registered Investor" in Master Index: **0**
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **29**

Summary of LPA Type:

Date:
June 4, 2016 to December 22, 2016

PA#s:
10-10-5 (1)
10-10-6 (28)

Total Investment Amount:
$2,442,000

Subordination Clauses/Relevant Clauses in Type 4 LPA:

i. The Participant understands and acknowledges that Western Trust will rank ahead of HRC within the second mortgage. HRC is postponing its interest in the second mortgage to Western Trust in the sum of $24,500,000.00 plus 18% interest per annum, less any interest paid to Western Trust. Western Trust's interest in the second mortgage may increase from time to time. For greater clarity, in the event of an insolvency or liquidation of the Borrower, the claims of HRC will rank junior to the claims of Western Trust.

iv. The Participant understands that during the course of the Project, the Borrower anticipates obtaining additional construction financing secured by the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

v. The Participant understands, consents and agrees that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the property during the term of the Participant's investment in the second mortgage registered in the name of HRC.

vi. The Participant hereby confirms, understands and agrees that the second charge/mortgage in which the Participant has invested shall be required to postpone and standstill to prior charges/mortgages if required, in priority financing. The Participant understands that priority financing is expected to periodically increase over the term of the second charge/mortgage and that such postponements shall be permitted.

LPA ITERATION SUMMARY CHART

xi. The Participant understand that additional priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which the Participant is investing. In the event of a shortfall in the funding of this charge/mortgage, the Participant understands and agrees that other charges/mortgages may be registered against the Property to fund and secure any such shortfall.

xii. The Participant understands that the additional priority, construction and other financing will change the loan-to-value ratios of the Project.

4. Priority of Return

Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC from the Borrower on account of the Participation Loan shall be applied in the following manner:

Firstly: Pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Participation Loan;

Secondly: Any and all remaining monies shall be distributed pro-rata to each participant based on each participant's proportionate share of the total amount invested by all of the participants.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 5. 2nd PRIORITY INVESTOR & NO LANGUAGE AT ALL
Participating Lender: Hi-Rise Capital Ltd. Priority in Mortgage Loan: 2nd Priority (Subordinated Investor) Project Name: Adelaide Street Lofts (the "Project") 2nd Mortgage
Total numbers of LPAs with this Iteration: **32** LPAs with this Iteration listed as "Registered Investor" in Master Index: **0** LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **32**
Summary of LPA Type:
Date: April 28, 2011 to November 11, 2013 **PA#s:** 10-1010-2 **Total Investment Amount:** $4,223,000
Subordination Clauses/Relevant Clauses in Type 5 LPA:
1. Use of Funds HRC agrees to advance the Participant's Participation to the Borrower upon the terms and conditions containe in the Loan Commitment issued by HRC to the Borrower. **3. Priority of Return to 1st Priority and Subordinated Investors** Firstly: Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received b HRC on account of the Loan shall be applied in the following manner: firstly, to pay all costs, charges an expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Loan. Secondly: 1st Priority Investors to receive all principal and interest owing. **Certain Investors have a "Bonus Interest Payment" & their LPAs state the following:**

LPA ITERATION SUMMARY CHART

3. Priority of Return to 1st Priority and Subordinated Investors

Firstly: Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC on account of the Loan shall be applied in the following manner: firstly, to pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Loan.

Secondly: 1st Priority Investors to receive all principal and interest owing.

Thirdly: 6% Accrued per annum payable at end of term.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 6. "SUBORDINATED INVESTOR"
Subordinated Investor *There is a second mortgage registered against the Property in the name of both HRC and Canadian Western Trust. Canadian Western Trust will hold an interest of $9,500,000.00 in priority to HRC.* *As between the second mortgagees, HRC is subordinated to Canadian Western Trust. In the event of an insolvency or liquidation of the Borrower, the claims of HRC will rank junior to the claims of Canadian Western Trust.*
Total numbers of LPAs with this Iteration: **14** LPAs with this Iteration listed as "Registered Investor" in Master Index: **1** LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **13**
Summary of LPA Type:
Date: April 24, 2015 to October 23, 2015 **PA#s:** N/a **Total Investment Amount:** $495,000
Subordination Clauses/Relevant Clauses in Type 6 LPA:
1. Disclosure Regarding Security i. Canadian Western Trust will rank ahead of HRC in the second mortgage. HRC is postponing its interest in the second mortgage to Canadian Western Trust for $9,500,000.00 plus 18% interest per annum minus the administration fee. Canadian Western Trust's interest in the second mortgage may increase from time to time. iv. Other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the Property during the term of the Beneficiary's interest in the second charge/mortgage registered in the name of HRC. v. The second charge/mortgage shall be required to postpone and standstill to prior charges/mortgages if required, in priority financing. Priority financing is expected to periodically increase over the term of the second charge/mortgage and such postponements shall be permitted.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 7. "EMPTY - 2nd Mortgage" (No "Priority in Mortgage Loan" section)	
Name of Borrower Company:	**Adelaide Street Lofts Inc.**
Participating Lender:	**Waterview Capital Corp.**
Project Name:	**Adelaide Street Lofts (the "Project")**
Security:	**2nd Mortgage**
Prior Mortgages:	**1st Mortgage TBD**
Amount of Mortgage:	**$ 25,000,000.00**

Total numbers of LPAs with this Iteration: **33**
LPAs with this Iteration listed as "Registered Investor" in Master Index: **0**
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **33**

Summary of LPA Type:

Date:
November 10, 2010 to July 13, 2011

PA#s:

N/a

Total Investment Amount:
$ 2,172,000

Subordination Clauses/Relevant Clauses in Type 7 LPA:

3. Priority of Return

Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by WCC on account of the Investment shall be applied in the following manner: firstly, to pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Investment, and secondly, any and all remaining monies shall be distributed pro-rata to each Participant based on each Participant's proportionate share of the total amount invested by all of the Participants and the share of profits received from WCC on behalf of all of the Participants from the Investee Company or of any proceeds of disposition from any action taken by WCC to enforce its security against the Investee Company.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 8. "1ST PRIORITY INVESTOR"	
Name of Borrower:	**Adelaide Street Lofts Inc.**
Participant's Participation:	**Amount set out in attached Trust Agreement**
Participating Lender:	**Hi-Rise Capital Ltd.**
Priority in Mortgage Loan:	**1st Priority Investor**
Project Name:	**Adelaide Street Lofts (the "Project")**
Security:	**2nd Mortgage**

Total numbers of LPAs with this Iteration: **39**
LPAs with this Iteration listed as "Registered Investor" in Master Index:**0**
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **39**

Summary of LPA Type:

Date:
February 6, 2011 to November 1, 2013

PA#s:

10-1010-2 (38)

Total Investment Amount:
$4,615,000

Subordination Clauses/Relevant Clauses in Type 8 LPA:

Priority of Return

Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC on account of the Loan shall be applied in the following manner:

Firstly: Pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Loan;

Secondly: Any and all remaining monies shall be distributed pro-rata to each Participant based on each Participant's proportionate share of the total amount invested by all of the Participants and the share of profits received from HRC on behalf of all of the Participants from the Borrower or of any proceeds of disposition from any action taken by HRC to enforce its security against the Borrower.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 9. "SUBORDINATED INVESTOR – VARIANT"

Security:	**2nd Mortgage** registered on title to the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**")
Priority in the Security:	**Subordinated Investor** *The second mortgage registered against title to the Property is registered in favour of both HRC and Canadian Western Trust ("**Western Trust**"). Western Trust holds an interest in the second mortgage in the sum of $9,500,000.00.*
Prior Mortgages:	**1st Mortgage (Refer to Disclosure Documents)**

Total numbers of LPAs with this Iteration: **24**
LPAs with this Iteration listed as "Registered Investor" in Master Index: **6**
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **18**

Summary of LPA Type:

Date:
May 28 2015 to August 27, 2015

PA#s:

10-1010-2 (12)
10-1010-3 (11)

Total Investment Amount:
$1,133,500

Subordination Clauses/Relevant Clauses in Type 9 LPA:

1. **Acknowledgements of the Participant**

i. The Participant understands and acknowledges that Western Trust will rank ahead of HRC within the second mortgage. HRC is postponing its interest in the second mortgage to Western Trust in the sum of $9,500,000.00 plus 18% interest per annum, less any interest paid to Western Trust. Western Trust's interest in the second mortgage may increase from time to time. For greater clarity, in the event of an insolvency or liquidation of the Borrower, the claims of HRC will rank junior to the claims of Western Trust.

iii. The Participant understands and acknowledges that the second mortgage shall initially be registered indicating a face value of $40,000,000 and from time to time, the loan amount will increase upon the completion of certain development and construction milestones on the Property.

iv. The Participant understands that during the course of the Project, the Borrower anticipates obtaining additional construction financing secured by the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

v. The Participant understands, consents and agrees that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the property during the term of the Participant's investment in the second mortgage registered in the name of HRC.

LPA ITERATION SUMMARY CHART

xi. The Participant understand that additional priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which the Participant is investing. In the event of a shortfall in the funding of this charge/mortgage, the Participant understands and agrees that other charges/mortgages may be registered against the Property to fund and secure any such shortfall.

xii. The Participant understands that the additional priority, construction and other financing will change the loan-to-value ratios of the Project.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 10. SUBORDINATED INVESTOR - LTV	
Participating Lender:	Hi-Rise Capital Ltd.
Priority in Mortgage Loan:	2nd Priority Subordinated Investor at 85% LTV
Project Name:	Adelaide Street Lofts (the "Project")
Security:	2nd Mortgage
Prior Mortgages:	1ST Mortgage (VTB – Refer to Disclosure Documents)

Total numbers of LPAs with this Iteration: **1**
LPAs with this Iteration listed as "Registered Investor" in Master Index:**0**
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **1**

1. May Ng & Patrick Pak-Hon Cheng – NR
   (**Date:** December 27, 2012 **PA#:** 10-1010-2 **Amount:** $60,000)

Subordination Clauses/Relevant Clauses in Type 9 LPA:

3. Priority of Return to 1st Priority and Subordinated Investors

Firstly: Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC on account of the Loan shall be applied in the following manner: firstly, to pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Loan.

Secondly: 1st Priority Investors to receive all principal and interest owing.

Thirdly: All remaining monies to be divided 60% to Neilas Inc. and 40% to HRC on behalf of the 1st Priority Investors.

Neilas Inc. shall postpone its entitlement to monies until the Subordinated Investor receives its principal and bonus based on the formula set out in the Bonus Interest Payment provision of this agreement and shall provide direction to HRC to direct funds accordingly.

The formula for determining the bonus payment to the Subordinated Investor is the same formula as set out in the Bonus Interest Payment provision above. The Subordinated Investor's bonus shall be postponed to the 1st Priority Investor, but shall rank in priority to monies owing to Neilas Inc.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 11. REGISTERED INVESTOR - COMMUNITY TRUST (NO Language re: Amount or Priority to Other Investors)

Security:	**2nd Mortgage** registered on title to the property municipally known as 263 Adelaide Street West, Toronto (the "**Property**")
Registration of the Security:	The second mortgage registered against title to the Property will be registered in favour of both HRC and Community Trust Company ("**Community Trust**"). As a registered investor, the Participant participates in this second mortgage through Community Trust.

Total numbers of LPAs with this Iteration: **68**
LPAs with this Iteration listed as "Registered Investor" in Master Index: **68**
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **0**

Summary of LPA Type:

Date:
December 13, 2016 to August 21, 2017

PA#s:

10-1010-7 (1)
10-1010-8 (58)
10-1010-9 (9)

Total Investment Amount:
$3,938,500

Subordination Clauses/Relevant Clauses in Type 11 LPA:

The Participant understands that during the course of the Project, the Borrower anticipates obtaining additional construction financing secured by the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

The Participant understands, consents and agrees that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the Property during the term of the Participant's investment in the second charge/mortgage registered in the name of HRC.

The Participant hereby confirms, understands and agrees that the second mortgage in which the Participant has invested shall be required to postpone and standstill to prior charges/mortgages if required, in priority financing. The Participant understands that priority financing is expected to periodically increase over the term of the second mortgage and that such postponements may be permitted. For greater certainty, as further priority financing is secured the second mortgage may become a 3rd or 4th mortgage or take on such other priority as may be required to secure the necessary financing to complete the Project.

LPA ITERATION SUMMARY CHART

4. Priority of Return

Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC from the Borrower on account of the Participation Loan shall be applied in the following manner:

Firstly: Pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Participation Loan;

Secondly: Any and all remaining monies shall be distributed pro-rata to each participant based on each participant's proportionate share of the total amount invested by all of the participants.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 12. REGISTERED INVESTOR - $9.5M INTEREST CWT INTEREST

Security:	**2nd Mortgage** registered on title to the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**")
Priority in the Security:	*The second mortgage registered against title to the Property is registered in favour o both HRC and Canadian Western Trust ("**Western Trust**"). Western Trust holds an interest in the second mortgage in the sum of $9,500,000.00. As a registered investor the Participant participates in this second mortgage through Western Trust.*

Total numbers of LPAs with this Iteration:**10**
LPAs with this Iteration listed as "Registered Investor" in Master Index: **9**
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **1**

Summary of LPA Type:

Date:
May 15, 2015 to June 30, 2015

PA#s:

10-1010-2 (10)

Total Investment Amount:
$469,000

Subordination language/Relevant clauses in Type 12:

1. **Acknowledgements of the Participant**

i. The Participant understands and acknowledges that Western Trust will rank ahead of HRC within the second mortgage. HRC is postponing its interest in the second mortgage to Western Trust in the sum o $9,500,000.00 plus 18% interest per annum, less any interest paid to Western Trust. Western Trust's interest in the second mortgage may increase from time to time. For greater clarity, in the event of an insolvency or liquidation of the Borrower, the claims of HRC will rank junior to the claims of Western Trust.

iv. The Participant understands that during the course of the Project, the Borrower anticipates obtaining additional construction financing secured by the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

v. The Participant understands, consents and agrees that other charges/mortgages and/or developmen agreements may be registered in priority to the first/second charge/mortgage against the property during the term of the Participant's investment in the second mortgage registered in the name of HRC.

vi. The Participant hereby confirms, understands and agrees that the second charge/mortgage in which the Participant has invested shall be required to postpone and standstill to prior charges/mortgages i required, in priority financing. The Participant understands that priority financing is expected to periodically increase over the term of the second charge/mortgage and that such postponements shall be permitted.

xi. The Participant understand that additional priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which the Participant is investing. In the event of a shortfall in the funding of this charge/mortgage, the Participant understands and agrees that other charges/mortgages may be registered against the Property to fund and secure any such shortfall.

xii. The Participant understands that the additional priority, construction and other financing will change the loan-to-value ratios of the Project.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 13. "CASH INVESTOR" – 2nd Mortgage WILL BE registered	
Registration of the Security:	The second mortgage registered against title to the Property will be registered in favour of both HRC and Community Trust Company ("**Community Trust**"). As a cash investor, the Participant participates in this second mortgage through HRC.

Total numbers of LPAs with this Iteration: **35**
LPAs with this Iteration listed as "Registered Investor" in Master Index: **0**
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **35**

Summary of LPA Type:

Date:
December 29, 2016 to November 1, 2019

PA#s:

10-1010-7 (4)
10-1010-8 (20)
10-1010-9 (4)
10-1010-10 (7)

Total Investment Amount:
$2,570,000

Subordination Language/Relevant clauses in Type 13 LPA

iii. The Participant understands that during the course of the Project, the Borrower anticipates obtaining additional construction financing secured by the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

iv. The Participant understands, consents and agrees that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the Property during the term of the Participant's investment in the second charge/mortgage registered in the name of HRC.

v. The Participant hereby confirms, understands and agrees that the second mortgage in which the Participant has invested shall be required to postpone and standstill to prior charges/mortgages if required, in priority financing. The Participant understands that priority financing is expected to periodically increase over the term of the second mortgage and that such postponements may be permitted. For greater certainty, as further priority financing is secured the second mortgage may become a 3rd or 4th mortgage or take on such other priority as may be required to secure the necessary financing to complete the Project.

x. The Participant understands that additional priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which the Participant is investing. In the event of a shortfall in the funding of this charge/mortgage, the Participant understands and agrees that other charges/mortgages may be registered against the Property to fund and secure any such shortfall.

xi. The Participant understands that the additional priority, construction and other financing will change the loan-to-value ratios of the Project.

LPA ITERATION SUMMARY CHART

4. Priority of Return

Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC from the Borrower on account of the Participation Loan shall be applied in the following manner:

Firstly: Pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Participation Loan;

Secondly: Any and all remaining monies shall be distributed pro-rata to each participant based on each participant's proportionate share of the total amount invested by all of the participants.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 14. SUBORDINATED INVESTOR – 2ND MORTGAGE AND ANTICIPATED PRIORITY FINANCING

Priority in Mortgage Loan:	**Subordinated Investor**
Project Name:	**Adelaide Street Lofts (the "Project")**
Security:	**2nd Mortgage** *(I understand that during the course of this investment, the Borrower anticipates obtaining additional construction financing for the Property which is expected to take priority. I hereby understand, consent, and agree that other charges/ mortgages and/or development agreement may be registered in priority to the charge of the Property).*

Total numbers of LPAs with this Iteration: **16**
LPAs with this Iteration listed as "Registered Investor" in Master Index: **3**[1]
LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **13**

Summary of LPA Type:

Date:
January 30, 2014 to September 4, 2014

PA#s:

10-1010-2 (16)

Total Investment Amount:
$1,135,000

Subordination language/relevant clauses in Type 14 LPA

ii. I understand that during the course of this investment, the Borrower anticipates obtaining additional construction financing for the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

iii. I understand, consent and agree that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the property during the term of my investment in the second charge/mortgage registered in the name of Hi-Rise Capital Ltd.

iv. I hereby confirm, understand and agree that the second charge/mortgage in which I have invested shall be required to postpone and standstill to prior charges/mortgages to a sum of $70,000,000 plus a 20% contingency if required, in priority financing. I understand that priority financing is expected to periodically increase over the term of the second charge/mortgage and that such postponements shall be permitted.

[1] Portion of one registered investment has been de-registered and now falls with NR category, but, it was originally a registered investment.

LPA ITERATION SUMMARY CHART

vi. I understand that additional priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which I am investing. In the event of a shortfall in the funding of this charge/mortgage, I understand and agree that other charges/mortgages may be registered against the property to fund and secure any such shortfall.

4. Priority of Return

Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC on account of the Loan shall be applied in the following manner:

Firstly: Pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Loan;

Secondly: Any and all remaining monies shall be distributed pro-rata to each Participant based on each Participant's proportionate share of the total amount invested by all of the Participants and the share of profits received from HRC on behalf of all of the Participants from the Borrower or of any proceeds of disposition from any action taken by HRC to enforce its security against the Borrower.

LPA ITERATION SUMMARY CHART

MISCL LPA TYPE: 15. SUBORDINATED INVESTOR & NO LANGUAGE AT ALL
Priority in Mortgage Loan: **Subordinated Investor** Project Name: **Adelaide Street Lofts (the "Project")** Security: **2nd Mortgage**
Total numbers of LPAs with this Iteration: **46** LPAs with this Iteration listed as "Registered Investor" in Master Index: **0** LPAs with this Iteration listed as "Non-Registered Investor" in Master Index: **46**
Summary of LPA Type:
Date: August 29, 2011 to December 28, 2013 **PA#s:** 10-1010-2 (43) **Total Investment Amount:** $5,647,000
Subordination language/relevant clauses in Type 15 LPA:
1. Use of Funds HRC agrees to advance the Participant's Participation to the Borrower upon the terms and conditions contained in the Loan Commitment issued by HRC to the Borrower. 3. Priority of Return to 1st Priority and Subordinated Investors Firstly: Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC on account of the Loan shall be applied in the following manner: firstly, to pay all costs, charges and expenses of, and incidental to, collecting, demanding, recovering and enforcing payment of the Loan. Secondly: 1st Priority Investors to receive all principal and interest owing. Thirdly: 6% Accrued per annum payable at end of term.
Certain Investors that have "Neilas Inc." share arrangements have the following terms:

LPA ITERATION SUMMARY CHART

3. Priority of Return to 1st Priority and Subordinated Investors

Firstly: Subject to the terms and conditions hereinafter set out, the Parties agree that all monies received by HRC on accoun of the Loan shall be applied in the following manner: firstly, to pay all costs, charges and expenses of, and incidental to collecting, demanding, recovering and enforcing payment of the Loan.

Secondly: 1st Priority Investors to receive all principal and interest owing.

Thirdly: All remaining monies to be divided 60% to Neilas Inc. and 40% to HRC on behalf of the 1st Priority Investors.

Neilas Inc. shall postpone its entitlement to monies until the Subordinated Investor receives its principal and bonus based o the formula set out in the Bonus Interest Payment provision of this agreement and shall provide direction to HRC to direc funds accordingly.

The formula for determining the bonus payment to the Subordinated Investor is the same formula as set out in the Bonu Interest Payment provision above. The Subordinated Investor's bonus shall be postponed to the 1st Priority Investor, but shal rank in priority to monies owing to Neilas Inc.

APPENDIX N

MILLER THOMSON
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September 10, 2020

Stephanie De Caria
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Delivered Via Email

Cassels Brock & Blackwell LLP
Attention: John Birch
2100 – 40 King Street West
Toronto ON
M5H 3C2

and

High-Rise Capital Ltd.
Attention: Noor Al-Awqati
130 King Street West, Suite 1800
Toronto, ON
M5X 1E3

Dear Sir/Miss:

Re: Loan Participation Agreements and Distribution Matters

We write further to our letter dated May 15, 2020 and your responding letter dated June 3, 2020. We thank you for your responses, however we require a further explanation on certain points. We also have additional inquiries, which we set out at the end of this letter.

Further Explanations Required

For ease of reference, we will adopt the numbering and capitalized terms contained in our letter dated May 15, 2020.

- **#1:** Were the Investors notified that the charge in favour of Canadian Western Trust was increased from $9,500,000 to $24,500,000? Did they execute amended forms of LPAs to reflect this change? Please provide copies of the notification (if any), or amended LPAs (if amended). Please also confirm the exact date in July 2015 that the charge was increased.

- **#2:** There are a total of 22 Investors with LPA iteration type 1. Please note that of these 22 Investors, 20 are recorded by Hi-Rise as Non-Registered Investors in the Master Index and 2 are recorded as Registered Investors. This discrepancy in recording, and our inquiry in respect of same, is further set out in #6 below.

  Notwithstanding that 20 of the Investors are recorded as Non-Registered Investors by Hi-Rise, their signed LPAs each state: “As a registered investor, the Participant participates in this second mortgage through Western Trust.”

In other words, the terms of LPA iteration type 1 clearly state that the Investor (as the Participant, as defined in their LPA) is a registered Investor and participates in the second mortgage through Western Trust, yet Hi-Rise records certain of these Investors as Non-Registered Investors. How does Hi-Rise reconcile the fact that these Investors signed a document that states they are Registered Investors, yet Hi-Rise classifies and records them as Non-Registered Investors?

- **#3:** In your responding letter, you requested that we identify the LPA with iteration type 7. Please see an example of LPA iteration type 7 attached, for Hi-Rise's review and response.

- **#4:** Similar to question #1 above, how does Hi-Rise reconcile the fact that the Investors with LPA iteration type 8 signed a document that states they are a "1st Priority Investor" (which, would mean that the Investor is a Registered Investor), yet Hi-Rise classifies and records them as Non-Registered Investors?

- **#5:** In your responding letter, you requested that we identify the LPA with iteration type 10. Please see LPA iteration type 10 attached, for Hi-Rise's review and response. Note there was only 1 Investor with this LPA type.

- **#6:** Some Investors signed the exact same document with the same terms, but some are classified by Hi-Rise as Non-Registered Investors and others as Registered Investors (for example, the Investors in LPA iteration type 1, as noted above).

  Why is there only 1 version of an LPA for both Registered Investors and Non-Registered Investors? It is not feasible that Investors agreed to and signed the exact same terms on paper, but hold two different types of investments (and therefore rank in different priorities). Please provide clarification.

- **2nd page of letter:** You advised that in 2014 all Non-Registered Investors were provided with a notification letter (re: the registration in favour of Canadian Western Trust) and with an Investor/Lender Disclosure Renewal Form. May we please have a copy of this notification letter and form? Please also confirm how these documents were delivered to each Non-Registered Investor?

- **2nd page of letter (re: De-Registered Investors):** You advised that all impacted Investors were notified of the de-registration pertaining to their registered accounts. May we please have a copy of this notification letter? Please also confirm how this document was delivered to the applicable Registered Investors.

Additional Inquiries:

1. Please advise the date upon which the investment became RRSP eligible? In other words, when was the option first available to Investors to invest in Hi-Rise through an RRSP and as a Registered Investor?

2. It is come to our attention that in addition to the various LPA iteration types noted in our first letter, there are also participation agreement numbers listed on each of the LPAs, which numbers differ from agreement to agreement.

For example, LPA iteration type 1 consists of 22 LPAs, with varying participation agreement numbers listed on each (*i.e.,* participation agreement numbers 10-1010-3, 10-1010-4, 10-1010-5, 10-1010-6,10-1010-8). We are in the process of reviewing all LPAs to identify all participation numbers. In the meantime, can you please explain:

(a) why there are different participation agreement numbers?

(b) the difference between each participation agreement numbers. Do the terms of the LPAs differ based on the participation agreement number. If yes, how so?

(c) why Investors within the same iteration category (such as type 1) have different participation numbers listed on their agreements?

Please note that as we continue to review the LPAs and once we receive your response to this letter, we may have additional inquiries. We look forward to hearing from you.

Yours truly,

MILLER THOMSON LLP

Per:



Stephanie De Caria
SD/
cc: Geoff Hall

46703522.1

APPENDIX O

September 21, 2020

Dear Ms. De Caria,

We write in response to your letter dated September 10, 2020, which we understand supplements your prior request of May 15, 2020. Set out below are responses to your additional inquiries.

For ease of reference, we have adopted the numbering contained in your letter, below:

1. Investors were notified of the increase in favour of Canadian Western Trust by letter, and were provided with a copy of the Notice and an updated investor/lender disclosure, at the time of the increase. A copy of such communication is attached. No amended forms of the LPAs were executed. The increase was registered on July 15, 2015.

2. At the relevant time, there was only one version of the LPA that was used for both registered and non-registered investments. Additional forms were completed when investments were paid from registered accounts, and in such cases, the source of funds originated from Canadian Western Trust which has now transferred over and is administered by Community Trust. The most reliable method for confirming that a given investment was made via a registered account would be to confirm with Community Trust directly to ensure that they hold these investments on behalf of these investors. In this regard, we direct you to Jacqueline Taylor at Community Trust. She can be reached at Jtaylor@CommunityTrust.ca.

3. LPAs with iteration type 7 were prepared at a time when there was only one type of investment, which was non-registered only.

4. I suspect that you are referring to question #2 and not question #1. This LPA was structured as a first priority to allow for future loans. Nevertheless, Hi-Rise only had one version of the LPA at that time for both types of investments (registered and non-registered).

5. We confirm that the LPA with iteration type 10 applies to this particular investor only.

6. Similar to the explanation provided in point number 2 above, there was only one version of the LPA for both investment types at the relevant time. The wording of the document would clarify the ranking of the investor should they be a registered or a non-registered investor.

Re: 2nd page of letter

Non-registered investors were provided with a notification letter by mail on May 28, 2014. A copy of the letter and a sample disclosure is attached.

Re: 2nd page of letter - De-Registered Investors

Investors were notified of the deregistration of their registered investment by mail. Copies of the letters sent in 2018 and 2019 are attached.

Additional Inquiries

1. May 22, 2014.

2. The numbering was used by the administration team to reconcile to the applicable LPA iteration. As you know, the LPAs were not identical in wording. There were amendments to the documents, however, such amendments did not necessarily affect priority between investors. To the best of my knowledge, this reconciliation was implemented in 2015 onwards.

We trust the above is of assistance. We look forward to continuing to work with representative counsel in furtherance of its distribution obligations. Should you require anything further, please let us know.

Relatedly, we understand, based on your discussions with Ms. Teskey, that representative counsel is amenable to providing us with a draft of their court report, for input. We would be pleased to review and provide comment in respect to same.

Hi-Rise Capital Ltd.



Noor Al-Awqati
Chief Operating Officer

Address:	**Phone/Fax:**	**Email:**
130 King Street West, #1800	416-865-3398	info@hirisecapital.com
Toronto, ON, M5X 1E3	416-865-3399	www.hirisecapital.com

HI-RISE CAPITAL LTD.

Via Regular Mail

May 28, 2014

[Name]
[Address]
[Address 2]

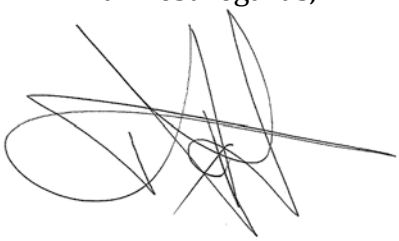
Dear [title] [last name],

As a follow-up to our previous correspondence, we are pleased to inform you that we have finalized all conditions with our new trustee, Canadian Western Trust, for our project at 263 Adelaide Street West (Adelaide Street Lofts). Along with Hi-Rise Capital Ltd., Canadian Western Trust has now been registered on the second mortgage charge behind KingSett.

We enclose a copy of our updated renewal disclosure form for your records.

Should you have any further questions, or if there is any way I can be of assistance, please do not hesitate to contact me.

Warmest regards,



Jim Neilas
Mortgage Broker
Hi-Rise Capital Ltd.

Ontario

Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto ON M2N 6L9

Licensing and Market Conduct Division

Renewal Form

Investor/Lender Disclosure Statement for Brokered Mortgages on Renewal

Mortgage Brokerages, Lenders and Administrators Act

Transaction N^{o}.
10-1010

Important – New Disclosure Duties Effective January 1, 2009

In addition to providing the information in this form, effective January 1, 2009, mortgage brokerages and administrators are also required to provide a lender or investor with additional information in connection with this transaction.

A brokerage must:

1. Advise you if the brokerage cannot verify the identity of another party to the transaction.
2. Disclose whether the brokerage is acting for the lender, the borrower, or both the borrower and lender.
3. Disclose to a lender the brokerage's relationship with each borrower, and disclose to an investor the brokerage's relationship with each party to the transaction.
4. Disclose whether the brokerage is receiving a fee or remuneration for referring you to a person or entity, and disclose the relationship with that person or entity.
5. Disclose material risks about the transaction that you should consider.
6. Disclose actual or potential conflicts of interest that may arise from this transaction.

An Administrator must:

1 Disclose the relationship, if any, between the administrator and each borrower.
2 Disclose whether the administrator may receive, or may pay, any fees or other remuneration in connection with the administration of the mortgage, the basis for calculating them and the payor's identity.
3 Disclose whether it is receiving a fee or other remuneration for referring you to a person or entity, and disclose the administrator's relationship with that person or entity.
4. Disclose actual or potential conflicts of interest that may arise from the transaction.

You must receive these disclosures in writing and acknowledge receipt of them. You should keep a copy for your records.

This form is required by law and will provide the investor/lender with important current information on the renewal of the brokered mortgage.

If new funds are being advanced, the form for new mortgages, which is called *Investor/Lender Disclosure Statement for Brokered Transactions* should be used instead of this form.
You are entitled to receive this document at least two business days before agreeing to renew a mortgage.
You should review your files, held by the brokerage, on this investment to ensure all documents are consistent with this form, **including but not limited to:**

1. The previous investor/lender disclosure.
2. A copy of the existing mortgage and its registration.
3. Proof of the borrower's ability to pay.
4. A copy of the previous appraisal or other evidence of value.

Declaration by the Mortgage Brokerage

1. For the purpose of this declaration, two persons are "related" if they share any relationship other than an arm's length business relationship. For example, a shareholder, director, officer, partner or employee of a mortgage brokerage is related to a mortgage broker or agent authorized to deal or trade in mortgages on behalf of the mortgage brokerage.

2. This declaration is made by **Hi-Rise Capital Ltd. 200 Adelaide St. West, Suite 401, Toronto ON M5H 1W7; (#10897)**
Name and license number of mortgage brokerage

3. The mortgage brokerage or any broker or agent authorized to deal or trade in mortgages on its behalf **does** / does not (choose one) have or expect to have a direct or indirect interest in the property that is the subject of this mortgage loan or investment.
Explain:
Hi-Rise Capital Ltd. and a related company will make a profit from the project if it is successful.

4. A person related to the mortgage brokerage or to any broker or agent authorized to deal or trade in mortgages on its behalf **does** / does not (choose one) have or expect to have a direct or indirect interest in the property that is the subject of this mortgage loan or investment.
Explain:
A related company will hold title and will be entitled to profit from the project if it is successful. See Appendix 'A'.

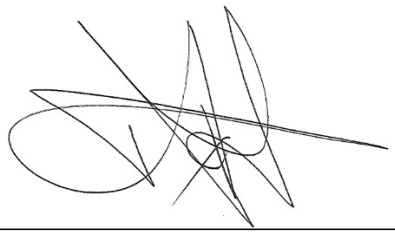
5. The borrower **is** / is not (choose one) related to the mortgage brokerage or to any broker or agent authorized to deal or trade in mortgages on its behalf.
Explain:
Adelaide Street Lofts Inc. is a company owned by the same principal as Hi-Rise Capital Ltd., Jim Neilas.

6. The borrower **is** / is not (choose one) related to an officer, director, partner, employee or shareholder of the mortgage brokerage.
Explain:
Adelaide Street Lofts Inc. is a company owned by the same principal as Hi-Rise Capital Ltd., Jim Neilas.

7. Where an appraisal has been done, the individual or company that appraised the property is / **is not** (choose one) related to the mortgage brokerage or to any broker or agent authorized to deal or trade in mortgages on its behalf.
Explain:

8. The mortgage brokerage or any broker or agent authorized to deal or trade in mortgages on its behalf **does** / does not (choose one) expect to gain any interest or benefit from this transaction other than the fees disclosed in Part D of the attached Information Disclosure Summary.
Explain:
Adelaide Hi-Rise Capital Ltd. and a related company will make a profit from the project if it is successful. See Appendix 'B'.

9. The mortgage brokerage has fully complied with all requirements of the ***Mortgage Brokerages, Lenders and Administrators Act*** and its regulations. I have fully completed the above *Declaration by the Mortgage Brokerage* in accordance with the ***Mortgage Brokerages, Lenders and Administrators Act*** and its regulations and declare it to be accurate in every aspect.



M08003817
License number of Mortgage Broker

Signature of Mortgage Broker

May 27, 2014
Date

Jim Neilas
Print name of person signing

ACKNOWLEDGEMENT

I, ,of
Print Name

,
Address

acknowledge receipt of this Declaration by the Mortgage Brokerage, signed by a mortgage broker.

May 29, 2014
Dated by Lender/ Investor

Signature

Information Disclosure Summary

Part A - Property

1. Legal and Municipal address of the property:

263 ADELAIDE STREET W.; PT BLK B PL 216E TORONTO AS IN ES61538; S/T & T/W ES61538; CITY OF TORONTO

2. Type of Property:

☒ Property with existing buildings

- ☐ Single family residential
- ☐ One-to-four unit residential
- ☐ Five or more unit residential
- ☒ Commercial
- ☐ Industrial
- ☐ Other _____

☐ Vacant land, development or construction project. Detail of project/proposed use:

The proposed development is to convert the existing building into retail containing a lobby at the ground floor, followed by some live/work units on floors 2-5, amenity space on the level 6, and a condominium tower on levels 7-42 containing 328 units.

3. Property Taxes:

Annual property taxes: $ 230,328.00

Are taxes in arrears?

☒ No

☐ Yes Amount in arrears: $_____

4. Zoning:

Has there been a change in the zoning since the previous disclosure?

☒ Yes If "Yes", details: A re-zoning application has been submitted.

☐ No

Is the zoning on the property appropriate for the proposed use?

☐ Yes

☒ No If "No", details: A re-zoning application has been submitted.

5. Appraisal:

☐ No appraisal has been done on the property in the last 12 months OR

☒ An appraisal has been done on the property in the past 12 months:

Date: December 10 2013

Value: 27,000,000.00

Part B - Mortgage Particulars

1. Type of Mortgage:

Your investment represents:

☐ the entire mortgage OR

☒ a portion of the mortgage. Your portion represents_____% of the total. **245** other parties have an interest in this mortgage.

The mortgage is registered in the following name(s):

Hi-Rise Capital Ltd. & Canadian Western Trust

2. Administered Mortgage:

The mortgage will continue to be administered for you.

☐ No

☐ Yes If "Yes", name and address of administrator:

Hi- Rise Capital Ltd.: 200 Adelaide Street West, Suite 401, Toronto ON M5H 1W7 **Administrator License 11893**

3. A) This mortgage is ☐ / is not ☒ at the time of renewal in default.

B) This mortgage has ☐ / has not ☒ been in default during the term of your investment.

C) If the mortgage is currently in default or has been in default,

Explain:

Part B - Mortgage Particulars (continued)

4. Terms of the Mortgage:

Amount of your investment: $_____

Face value of the mortgage: $ 40,000,000.00

Interest rate is fixed at **18** % per annum OR Interest rate is variable. Explain:

_____

_____

_____

_____

Compounding Period: Quarterly

Monthly payments by borrower: $ 1,800,000.00

Monthly payments to you: $_____
(See Part D for fees charged to you)

Term: 4 years

Amortization: Interest Only

Maturity Date: February 1, 2018

Balance on maturity: 40,000,000.00

Borrower's first payment due: March 1, 2014

Terms and conditions of repayment:

Open Term

Canadian Western Trust will rank ahead of Hi-Rise Capital in the 2nd mortgage for $9,500,000.00

5. Rank of Mortgage on renewal:

The mortgage to renewed is/will be a:
☐ First ☒ Second ☐ Third ☐ Other:_____

Prior encumbrances (existing or anticipated):

☐ None OR

a) Priority: First Face Amount: $ 14,300,000.00

Amount Owing:$ 14,300,000.00

In default? ☐ yes ☒ no

Name of Mortgagee: Kingsett Mortgage Corporation

b) Priority: _____ Face Amount: $_____

Amount Owing:$_____

In default? ☐ yes ☐ no

Name of Mortgagee:_____

Other encumbrances:

6. Loan to value ratio for this renewal:

☐ There has been no recalculation of the loan to value ratio since the initial investment / last renewal date.

☒ The loan to value ratio has changed since the initial investment / last renewal and is_____because of :

- ☒ new appraisal or evidence of value
- ☒ change in encumbrances

Explain and show calculation:

Total of Prior Encumbrance: $14,300,000, Amount of this mortgage: $40,000,000, Total amount of mortgages: $54,300,000. Appraised 'as is' value: $27,000,000, Projected value: $178,000,000
Loan to 'as is' value ratio: **201**%
Loan to 'projected value' ratio: **31**%

Part C - Borrower

Name and Address of borrower:
Adelaide Street Lofts Inc., 263 Adelaide Street West, Suite 350, Toronto, Ontario M5H 1Y2

Part D - Fees

1. Fees and charges payable by the investor/lender:

Mortgage brokerage fee/commission/other costs: $ _____

Approximate legal fees and disbursements: $ _____

Administration fees (where applicable): $ * _____

Any other charges

Specify:

*__Administration fee is 0.5% to 8% of interest paid to investor__ $ _____

See Appendix 'A' $ _____

_____ $ _____

Total: $ _____

2. Fees and costs payable by the borrower:

Amount	Paid to	Purpose
See Appendix 'B'	See Appendix 'B'	See Appendix 'B'

Part E – Attached Documents

The following documents must be attached:

1. If an appraisal of the property has been done in the preceding 12 months and is available to the mortgage brokerage, a copy of the appraisal.
2. If an agreement of purchase and sale in respect of the property has been entered into in the preceding 12 months and is available to the mortgage brokerage, a copy of the agreement of purchase and sale.

The mortgage brokerage is also required to provide you with all other information an investor of ordinary prudence would consider to be material to a decision whether to renew the mortgage

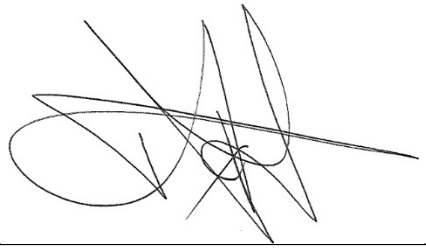
Part F - Certification

This Information Disclosure Summary has been completed by:

Hi-Rise Capital Ltd., 200 Adelaide Street West, Suite 401, Toronto Ontario M5H 1W7
Mortgage Brokerage # 10897

Name, address and license number of mortgage brokerage

I have fully completed the above Information Disclosure Summary in accordance with the ***Mortgage Brokerages, Lenders and Administrators Act*** and its regulations and declare it to be accurate in every respect.



May 27, 2014
Date

Signature of Mortgage Broker

M08003817
Licence Number of Mortgage Broker

Jim Neilas
Print name of person signing

Acknowledgement

I, _____ ,of
Print Name

_____ ,
Address

acknowledge receipt and have read this Information Disclosure Summary, signed by a mortgage broker.

May 29, 2014
Dated by Lender/ Investor

Signature

One copy of this form must be provided to the prospective lender/ investor, and one copy must be retained by the mortgage brokerage

APPENDIX A

Paid to	Purpose	Fee	Notes
Neilas Inc.	Assignment Fee	$1,000,000.00	1
Neilas Inc.	Acquisition Fee	$75,000.00	2
Neilas Inc.	Development Fee	$180,000.00 per quarter	3
Hi-Rise Capital Ltd.	Step-Up Fee	$140,000.00	4
Hi-Rise Capital Ltd.	Mortgage Administration Fee	0.5% to 8% of interest	5

Notes:

1. Neilas Inc., a related party, will be entitled to an Assignment Fee equal of $1,000,000.

2. Neilas Inc., a related party of the mortgage broker will earn an acquisition fee of $75,000 on closing of the Property.

3. Neilas Inc., a related party, will earn a Development Fee of $180,000 per quarter.

4. Hi-Rise Capital Ltd., a related party, will be entitled to a Step-Up Fee equal of $140,000.

5. Hi-Rise Capital Ltd., a related party, will earn an Administration Fee of 0.5% to 8% of interest paid.

Conflict of Interest

The brokerage declares to the participant that; the Administrator Hi Rise Capital Ltd, Neilas Inc. Skypoint Hi-Rise Ltd., Adelaide Street Lofts Inc., are companies owned by the same principal, Jim Neilas, and are entitled to profit from the project if it is successful.

Signature _____

APPENDIX B

Paid to	Purpose	Fee
Bousfields Inc.	Urban Planners	$2,429.50
Fogler, Rubinoff LLP	Lawyers	$18,299.01
KRCMAR Surveyors Ltd.	Surveyors	$6,840.71
MacKenzie Ray Heron & Edwardh	Appraisers	$9,605.00
McClymont & Rak Engineers Inc.	Environmental Assessment	$3,390.00
Pelican Woodcliff Inc.	Real Estate & Construction Consultants	$3,277.00
Hi-Rise Capital Ltd.	Lender Fee	$140,000.00
Hi-Rise Capital Ltd.	Broker Commission	$3,500,000.00
Bratty and Partners	Lender Legal Fees	$20,000.00
Icon 1 Realty	Real Estate Broker Fee	$412,500.00
Hi-Rise Capital Ltd.	Mortgage Administration Fee	0.5-8% of interest paid
Hi-Rise Capital Ltd.	Commission	N/A
Hi-Rise Capital Ltd.	Offering Marketing Fee	N/A
N/A	Referral Fee*	N/A

*The referring party may receive additional monetary and non-monetary compensation as a result of this transaction.

Signature _____

Acknowledgement

i. Canadian Western Trust will rank ahead of Hi-Rise Capital Ltd. in the second mortgage. Hi-Rise Capital Ltd. is postponing to Canadian Western Trust for $9,500,000.00 plus 18% interest per annum minus the administration fee (0.5%-8%). Canadian Western Trust's interest in the mortgage may increase from time to time.

ii. I understand that sometime in the future, the Borrower will renew or replace the first charge/mortgage on the property.

iii. I understand that during the course of this investment, the Borrower anticipates obtaining additional construction financing for the Property which is expected to take priority to the first charge/mortgage, changing its position to a second charge/mortgage.

iv. I understand, consent and agree that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the property during the term of my investment in the second charge/mortgage registered in the name of Hi-Rise Capital Ltd.

v. I hereby confirm, understand and agree that the second charge/mortgage in which I have invested shall be required to postpone and standstill to prior charges/mortgages to a sum of $93,000,000 plus a 20% contingency if required, in priority financing. I understand that priority financing is expected to periodically increase over the term of the second charge/mortgage and that such postponements shall be permitted.

vi. I hereby confirm, understand and agree that the second charge/mortgage in which I have invested shall be required to postpone and standstill to permit the registration of certain agreements for the purpose of facilitating the planned development of the property. The trustees of this charge/mortgage may execute such documents when needed. An example of such agreements includes (but not limited to):

- Site plans
- Mezzanine financing
- Insurance on purchase deposits
- Condominium registration docs, etc.

vii. I understand that <u>additional</u> priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which I am investing. In the event of a shortfall in the funding of this charge/mortgage, I understand and agree that other charges/mortgages may be registered against the property to fund and secure any such shortfall.

viii. I understand that the <u>additional</u> priority, construction and other financing will change the LTV ratios of the project.

Signature _____

APPENDIX A

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4. Hi-Rise Capital Ltd., a related party, will be entitled to a Step-Up Fee equal of $140,000.

5. Hi-Rise Capital Ltd., a related party, will earn an Administration Fee of 0.5% to 8% of interest paid.

Conflict of Interest

The brokerage declares to the participant that; the Administrator Hi Rise Capital Ltd, Neilas Inc. Skypoint Hi-Rise Ltd., Adelaide Street Lofts Inc., are companies owned by the same principal, Jim Neilas, and are entitled to profit from the project if it is successful.

Signature _____

APPENDIX B

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McClymont & Rak Engineers Inc.	Environmental Assessment	$3,390.00
Pelican Woodcliff Inc.	Real Estate & Construction Consultants	$3,277.00
Hi-Rise Capital Ltd.	Lender Fee	$140,000.00
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Hi-Rise Capital Ltd.	Offering Marketing Fee	N/A
N/A	Referral Fee*	N/A

*The referring party may receive additional monetary and non-monetary compensation as a result of this transaction.

Signature _____

Acknowledgement

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iv. I understand, consent and agree that other charges/mortgages and/or development agreements may be registered in priority to the first/second charge/mortgage against the property during the term of my investment in the second charge/mortgage registered in the name of Hi-Rise Capital Ltd.

v. I hereby confirm, understand and agree that the second charge/mortgage in which I have invested shall be required to postpone and standstill to prior charges/mortgages to a sum of $93,000,000 plus a 20% contingency if required, in priority financing. I understand that priority financing is expected to periodically increase over the term of the second charge/mortgage and that such postponements shall be permitted.

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- Site plans
- Mezzanine financing
- Insurance on purchase deposits
- Condominium registration docs, etc.

vii. I understand that <u>additional</u> priority financing may be required if there is a shortfall pursuant to the terms of the charge/mortgage in which I am investing. In the event of a shortfall in the funding of this charge/mortgage, I understand and agree that other charges/mortgages may be registered against the property to fund and secure any such shortfall.

viii. I understand that the <u>additional</u> priority, construction and other financing will change the LTV ratios of the project.

Signature _____

HI-RISE CAPITAL LTD.

Mortgage Brokerage #10897 Mortgage Administrator #11893

December 3, 2018

Via Regular Mail

Investor Name
Address 1
Address 2

Re: Community Trust Company account number _____ invested in the mortgage registered against title to the property municipally known as 263 Adelaide St. W., Toronto, ON (the "Hi-Rise Mortgage")

Dear ___ ,

Please be informed that your 2018 annual minimum RRIF payment has not yet been satisfied in full. This is due to insufficient funds in your RRIF account as a result of the interest payment suspension for 263 Adelaide St. West. Pursuant to the Income Tax Act (the Act), the remaining amount of $ _ _ _ of your annual *"minimum"* payment is required to be paid in cash or in-kind.

Due to the insufficient cash in your RRIF Plan, an in-kind payment will be made to your RRIF by assigning a portion of your registered account to Hi-Rise Capital Ltd. This will be completed by reducing the principal amount of your mortgage investment in your RRIF Plan by the amount of the in-kind payment (the "Deregistered Amount"). Processing of the transfer of the Deregistered Amount will begin December 7, 2018 and a 2018 T4RIF slip will be issued for the Deregistered Amount. Please note that an in-kind payment is subject to a $50 fee + tax.

The reduction of your investment amount will only be reflected in your RRIF account. An assignment will take place by year-end between Community Trust Company and Hi-Rise Capital Ltd. to assign your Deregistered Amount to Hi-Rise Capital Ltd. thus maintaining your original investment amount. For clarity, your original investment amount will not change.

If you have a RRIF Plan that you hold at another financial institution, you may transfer cash into your Community Trust Company ("CTC") RRIF account in order to avoid an in-kind payment. Please complete and sign the enclosed Community Trust Transfer Authorization form should you wish to do so. The attached form must be delivered to CTC ***as soon as possible***. You can email your form to is@communitytrust.ca, Community Trust Investment Services Department.

Should you have any questions or concerns, please do not hesitate to contact Investor Relations at 416-865-3398 x252 between the hours of 9:00 AM to 5:00 PM Monday to Friday.

Hi-Rise Capital Ltd.

Noor Al-Awqati
Chief Operating Officer

Address:	**Phone/Fax:**	**Email:**
130 King St. W Ste. 1800	416-865-3398	info@hirisecapital.com
Toronto, ON, M5X 1E3	416-865-3399	www.hirisecapital.com

HI-RISE CAPITAL LTD.

Via Regular Mail

[Name]
[1st Address Line]
[City][Province][Postal Code]

July 18, 2015

Re: Investment in a second mortgage registered against title to the property municipally known as 263 Adelaide Street West, Toronto, (the "Second Mortgage")

Dear [Greeting Suffix] [Greeting Last Name],

This letter is in relation to your investments in the Second Mortgage. Please be advised that the face value of the Second Mortgage was increased from $40,000,000 to $60,000,000 and the transfer of charge relating to the Second Mortgage from Hi-Rise Capital Ltd. to Canadian Western Trust Company was increased from $9,500,000 to $24,000,000. The amendment will allow Adelaide Street Lofts Inc. (the "**Borrower**") to access additional capital necessary to move the project forward.

Please find enclosed copies of the following documents for your reference:

1. Receipted Notice AT3946856; and
2. Agreement Amending Charge.

If you have any questions, please do not hesitate to contact Jason Riddle at 416.865.3398 x252.

Sincerely,
Hi-Rise Capital Ltd.

Jason Riddle
Manager, Investor Relations
Email jason@hirisecapital.com

Properties

PIN 21411 – 0162 LT
Description PT BLK B PL 216E TORONTO AS IN ES61538; S/T & T/W ES61538; CITY OF TORONTO
Address 263 ADELAIDE ST W
TORONTO

Consideration

Consideration $2.00

Applicant(s)

The notice is based on or affects a valid and existing estate, right, interest or equity in land

Name ADELAIDE STREET LOFTS INC.
Address for Service 200 Adelaide St. West
Suite 401
Toronto, ON
M5H 1W7

I, John Neilas, A.S.O., have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Party To(s) *Capacity* *Share*

Name HI-RISE CAPITAL LTD.
Address for Service 200 Adelaide Street West
Suite 401
Toronto, ON
M5H 1W7

I, John Neilas, A. S. O., have the authority to bind the corporation

This document is not authorized under Power of Attorney by this party.

Name CANADIAN WESTERN TRUST COMPANY
Address for Service c/o William Scott
McCarthy Tetrault
Suite 4700, TD Bank Tower
Toronto, ON
M5K 1E6

I, Richard Tebb, Manager Policy Development & Regulatory Relations, and Jason Baker, Director, Business Development, have the authority to bind the corporation

This document is not authorized under Power of Attorney by this party.

Statements

This notice is pursuant to Section 71 of the Land Titles Act.

This notice may be deleted by the Land Registrar when the registered instrument, AT3522463 registered on 2014/02/18 to which this notice relates is deleted

Schedule: See Schedules

This document relates to registration no.(s)AT3522463, AT3522464, AT3522631, AT3586925 and AT3591493

Signed By

Glynis Selina Huff 40 King St. W. Toronto M5H 3Y4 acting for Applicant(s) Signed 2015 07 15

Tel 416-367-6000
Fax 416-367-6749

I have the authority to sign and register the document on behalf of the Applicant(s).

Submitted By

Borden Ladner Gervais LLP
40 King St. W.
Toronto
M5H 3Y4
2015 07 15

Tel 416-367-6000
Fax 416-367-6749

Fees/Taxes/Payment

Statutory Registration Fee	$60.00
Total Paid	$60.00

File Number

Applicant Client File Number : 032536.000001

AGREEMENT AMENDING CHARGE

THIS AGREEMENT made as of the 10th **day of** July, **2015.**

B E T W E E N:

HI-RISE CAPITAL LTD. and
CANADIAN WESTERN TRUST COMPANY
(hereinafter, collectively, referred to as "Chargees")

OF THE FIRST PART,

- and –

ADELAIDE STREET LOFTS INC.
(hereinafter referred to as "Chargor")

OF THE SECOND PART.

WHEREAS:

A. By a Charge registered on February 18, 2014 in the Land Registry Office for the Land Titles Division of Toronto (No. 66), as Instrument No. AT3522463, the Chargor, mortgaged the lands described herein (the "Property") in favour of the Hi-Rise Capital Ltd., as chargor, to secure payment of the principal sum of Forty Million Dollars ($40,000,000.00) with interest as therein set out upon the terms therein mentioned (the "Charge") (the "Loan").

B. By a Transfer of Charge registered on May 22, 2014 in the Land Registry Office for the Land Titles Division of Toronto (No. 66), as Instrument No. AT3586925, a portion of the Charge was transferred to Canadian Western Trust Company upon the terms therein mentioned (the "Transfer of Charge") (the "Charge and the Transfer of Charge are hereafter collectively referred to as the "Charge").

C. As additional and collateral security to the Charge, the Chargor gave to the Chargees other ancillary and collateral security documentation delivered by the Chargor to the Chargees in connection with the Charge (collectively, the Additional and Collateral Security").

D. The Charge and Additional and Collateral Security are collectively herein referred to as the "Chargees Security".

E. The parties hereto signing as Chargor and Chargees have agreed to execute this Agreement Amending Charge to amend the terms of the Charge to increase the principal amount of the Charge from Forty Million Dollars ($40,000,000.00) to Sixty Million Dollars ($60,000,000.00).

WITNESSETH THAT in consideration of the premises and the sum of Two ($2.00) Dollars now paid by each of the parties hereto to the other, (the receipt and sufficiency whereof is hereby acknowledged), it is agreed by the parties hereto that the Charge is hereby amended from and including the 10th day of July, 2015 (the "Effective Date"), as follows:

1. As of the Effective Date the principal sum of the Charge shall be increased from Forty Million Dollars ($40,000,000.00) to Sixty Million Dollars ($60,000,000.00);

2. The Chargor agrees that the following registrations previously executed and delivered to the Chargees as collateral to the Charge remain in full force and effect and shall continue as security for the repayment of the money secured by the Charge and the Chargor further agrees to be bound by the terms and conditions therein:

(a) General Assignment of Rents relating to the Property registered on February 18, 2014 at the Land Registry Office for the Land Titles Division of Toronto (No. 66) as Instrument No. AT3522464.

3. The Schedule attached to the Transfer of Charge is hereby amended by deleting the reference to "Nine Million, Five Hundred Thousand Dollars ($9,500,000.00)" and replacing it with "Twenty-Four Million, Five Hundred Thousand Dollars ($24,500,000.00)".

4. Except as amended by this Agreement Amending Charge, all terms and conditions of the Charge shall remain in full force and effect unamended, *mutatis mutandis*. In all other respects the parties hereto confirm the terms and conditions contained in the Charge.

5. The parties agree that they shall execute and deliver such further and other documents and perform and cause to be performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement Amending Charge and every part of this Agreement Amending Charge.

6. This Agreement Amending Charge shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

7. Nothing contained herein shall create any merger or alter the rights of the Chargees as against any subsequent encumbrancer or other person interested in the Property and not a party hereto liable to pay the principal money or the rights of any such person, all of which rights are hereby reserved.

8. The parties agree, that in construing this Agreement Amending Charge, that all rights, advantages, privileges, immunities, powers and things hereby secured to the Chargor and the Chargees shall be equally secured to and exercisable by their respective successors and assigns. And that all covenants, liabilities and obligations entered into or imposed hereunder upon the Chargor and the Chargees shall be equally binding upon their respective successors and assigns.

9. In construing this Agreement, the words "Chargor", "Chargees" and all personal pronouns shall be read as the number and gender of the party or parties referred to herein requires and all necessary grammatical changes, as the context requires, shall be deemed to be made.

10. This Agreement may be executed in counterpart, all such executed counterparts shall constitute the same agreement and the signature of any party to any counterpart shall be deemed to be signature to, and may be appended to, any other counterpart.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The parties have duly executed this Agreement Amending Charge as of the date above first written.

HI-RISE CAPITAL LTD.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I/We have authority to bind the Corporation

CANADIAN WESTERN TRUST COMPANY

Per: _____
Name:
Title:

Richard Tebb
Manager Policy Development
& Regulatory Relations

Per: _____
Name:
Title:

JASON BAKER
Director, Business Development

I have authority to bind the Corporation

ADELAIDE STREET LOFTS INC.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I have authority to bind the Corporation

The parties have duly executed this Agreement Amending Charge as of the date above first written.

HI-RISE CAPITAL LTD.

Per: _____
Name: John Neilas
Title: ASO

Per: _____
Name:
Title:

I/We have authority to bind the Corporation

CANADIAN WESTERN TRUST COMPANY

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I have authority to bind the Corporation

ADELAIDE STREET LOFTS INC.

Per: _____
Name: John Neilas
Title: ASO

Per: _____
Name:
Title:

I have authority to bind the Corporation

DISCLOSURE FORM 1

Financial Services Commission of Ontario

Form 1 - Investor/Lender Disclosure Statement For Brokered Transactions

Mortgage Brokerages, Lenders and Administrators Act, 2006

Transaction Number 10-1010-3

Important Disclosure Duties

In this Investor/Lender Disclosure Statement For Brokered Transactions ("Disclosure Statement"), mortgage brokerages are required to provide you with the completed Disclosure Statement that contains important information in connection with this transaction.

A brokerage must:

1. Advise you if the brokerage cannot verify the identity of another party to the transaction.
2. Disclose whether the brokerage is acting for the lender, the borrower, or both the borrower and lender.
3. Disclose to a lender the brokerage's relationship with each borrower, and disclose to an investor the brokerage's relationship with each party to the transaction.
4. Disclose whether the brokerage is receiving a fee or other remuneration for referring you to a person or entity, and disclose the relationship with that person or entity.
5. Disclose material risks about the transaction that you should consider.
6. Disclose actual or potential conflicts of interest that may arise from this transaction.
7. Take reasonable steps to ensure that any mortgage investment the brokerage presents to you is suitable having regard to your needs and circumstances.
8. If applicable, complete the Addendum (Form 1.1) if Construction and Development Loans are involved, including syndicated or non-syndicated mortgages.

If your investment is being administered, the mortgage administrator must:

1. Disclose the relationship, if any, between the administrator and each borrower.
2. Disclose whether the administrator may receive, or may pay, any fees or other remuneration in connection with the administration of the mortgage, the basis for calculating them and the payor's identity.
3. Disclose whether it is receiving a fee or other remuneration for referring you to a person or entity, and disclose the administrator's relationship with that person or entity.
4. Disclose actual or potential conflicts of interest that may arise from the transaction.

You must receive these disclosures in writing and acknowledge receipt of them. You should keep a copy for your records.

Important: This form is required by law and will provide the prospective investor/lender with important information to assist you in making a decision about whether to invest/lend.

This information must be disclosed **at least two business days** before you commit to lend/invest, i.e. two business days before the **earliest** of the following events:

- When the brokerage receives or enters into an agreement to receive money from you.
- When you enter into a mortgage agreement or an agreement to trade in a mortgage.
- The money is advanced to the borrower under the mortgage.
- The trade completion date.

You may agree to reduce the two business day waiting period to one business day by consenting in writing by completing the approved Waiver (Form 1.2).

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Section 1 - Caution

1. This Disclosure Statement has not been filed with the Financial Services Commission of Ontario (FSCO). Neither FSCO nor any other authority of the Government of Ontario has reviewed or approved the completed Disclosure Statement.
2. All mortgage investments carry a risk. There is a relationship between risk and return. In general, the higher the rate of return, the higher the risk of the investment. You should very carefully assess the risk of the mortgage transaction described in this Disclosure Statement, the Addendum (Form 1.2) if applicable and in the supporting documentation before making a commitment.
3. Syndicated mortgages (defined as more than one investor/lender) may carry additional risks pertaining not only to the risk of default but also to the risks associated with participating in a syndication and the financing of real estate transactions.
4. Inexperienced investors are **not** advised to enter into mortgage investments.
5. You should consider inspecting the property or project as identified in section 3 Part A of this Disclosure Statement.
6. This mortgage investment is not insured by the Government of Ontario or any other investor protection fund.
7. You are **strongly** advised to obtain independent legal advice before committing to invest.
8. This mortgage investment cannot be guaranteed by the mortgage brokerage. If you are not prepared to risk a loss, you should not consider mortgage investments.
9. If this investment is for a mortgage to fund a development, construction or commercial project, the repayment of this investment may depend on the successful completion of the project, and its successful leasing or sale.
10. If you are one of several investors in a syndicated mortgage, you may not be able to enforce repayment of your investment on your own if the borrower defaults.
11. You should ensure you have sufficient documentation to support the property valuation quoted in this Disclosure Statement. The property value may decrease over time, including the period between the date of the most recent appraisal and the date you complete the transaction. A decline in property value may also affect the return and/or value on your investment in the event of a default in payments under this mortgage.
12. You should satisfy yourself as to the borrower's ability to meet the payments required under the terms of this mortgage investment.
13. The mortgage administrator, if applicable, cannot make payments to you except from payments of principal and interest made by the borrower under the mortgage. Therefore, the mortgage administrator cannot continue mortgage payments to you if the borrower defaults.
14. If you want to withdraw your money before the end of the term, a new investor/lender may be required and there is no assurance that there will be a market for the resale or transfer of the mortgage.
15. If the contract provides for an extension, you may not be able to opt out of any extension of a mortgage term. You need to review terms relating to the extension of mortgages carefully.
16. This Disclosure Statement, the Addendum (Form 1.2) if applicable and the attached documents are not intended to provide a comprehensive list of factors to consider in making a decision concerning this investment. By law, the mortgage brokerage must disclose in writing the material risks of the mortgage investment. There may be additional risks to the investment. You should satisfy yourself regarding all factors relevant to this investment before you commit to invest.

Jim (Dimitrios) Neilas

Print name of Mortgage Broker

M08003817

Licence number of Mortgage Broker



Signature of Mortgage Broker

2015-07-15

Date (yyyy-mm-dd)

Hi-Rise Capital Ltd.

Name of Mortgage Brokerage

10897

Licence number of Mortgage Brokerage

Acknowledgement

I, _____ Investor Name _____ , of
Print name of Investor/Lender

_____ Investor Address _____
Address

acknowledge receipt of this Caution, signed by the above named mortgage broker.

_____ 2015-07-15
Signature of Investor/Lender | Dated by Investor/Lender (yyyy-mm-dd)

Section 2 - Declaration by the Mortgage Brokerage

1. *The Mortgage Brokerages, Lenders and Administrators Act, 2006* requires disclosure of the nature of the relationship between the mortgage brokerage and other persons and entities involved in the mortgage transaction. For the purposes of this Disclosure Statement and Addendum, two persons are "related" if they share any relationship other than an arm's length business relationship. For example, a shareholder, director, officer, partner or employee of a mortgage brokerage is related to the mortgage brokerage and to any broker or agent authorized to deal or trade in mortgages on behalf of the mortgage brokerage (referred to below as "its" [the brokerage's] brokers and agents).

   This declaration is made by

   Hi-Rise Capital Ltd. - Mortgage Brokerage # 10897
   200 Adelaide Street West, Suite 401, Toronto, ON M5H 1W7

   Name, address and licence number of mortgage brokerage

2. Does the mortgage brokerage or any of its brokers or agents have or expect to have a direct or indirect interest in this property identified in section 3, Part A?

   ☐ No ☑ Yes

   If Yes, explain:

   Hi-Rise Capital Ltd. and related/affiliated companies will make a profit from the project if it is successful.

3. Does any person related to the mortgage brokerage or any of its brokers or agents have or expect to have a direct or indirect interest in this property?

   ☐ No ☑ Yes

   If Yes, explain:

   A related company holds title to the property and is entitled to profit from the project if it is successful.
   The borrower and Hi-Rise Capital Ltd. are companies owned by the same principal, Jim Neilas.

4. Is the borrower related to the mortgage brokerage or to any of the officers, directors, partners, employees or shareholders of the brokerage or any of its brokers or agents?

   ☐ No ☑ Yes

   If Yes, explain:

   The borrower is a company owned by the same principal of Hi-Rise Capital Ltd., Jim Neilas.

5. Is the individual or company that appraised the property related to the mortgage brokerage or to any of its brokers or agents?

   ☑ No ☐ Yes

   If Yes, explain:

Investor/Lender Initials: Date: 2015-07-15

6. Describe any conflicts or potential conflicts of interest in connection with this mortgage investment, other than those described above.

Hi-Rise Capital Ltd., Neilas Inc., Skypoint Hi-Rise Ltd., and the borrower are companies owned by the same principal (Jim Neilas) and are entitled to profit from the project if it is successful.

7. Describe what steps the mortgage brokerage has taken to reduce the risk resulting from any conflicts or potential conflicts of interest.

Hi-Rise Capital has taken the following steps to reduce the risk resulting from any conflicts or potential conflicts of interest:
- Established policies and procedures for Hi-Rise Capital Ltd.;
- Segregates bank accounts among related/affiliated companies; and
- Conducts annual audits of financial statement of Hi-Rise Capital Ltd.

8. The mortgage brokerage is acting for:

- ☐ The investor/lender and not the borrower
- ☐ The borrower and not the investor/lender
- ☑ Both the borrower and the investor/lender

9. If this investment is a purchase of an existing mortgage or a portion of an existing mortgage, is the mortgage now in default?

☑ No ☐ Yes

Has it been in default in the last twelve months?

☐ No ☑ Yes

If Yes to either, explain:

The borrower deferred making interest payments at some point in the previous 12 months.

10. Will the mortgage proceeds be used to refinance, pay out, redeem or reduce an existing mortgage on **this** property?

☐ No ☑ Yes

If Yes, explain:

The borrower may use the proceeds of this investment to pay out existing investors.

11. Does the mortgage brokerage or any of its brokers or agents expect to gain any interest or benefit from this transaction other than the fees disclosed in Part D of this Disclosure Statement?

☐ No ☑ Yes

If Yes, explain:

Please refer to Appendix “A” for a list of all relevant fees.

Investor/Lender Initials: Date: 2015-07-15

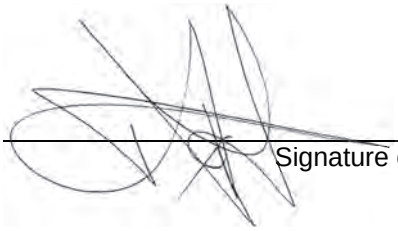
12. The mortgage brokerage is required to disclose in writing the material risks of this investment.

Describe the material risks of this investment.

Material risks of this investment include, but are not limited to:
1. Re-zoning or other municipal approvals may or may not be achieved or approved for the anticipated density.
2. Project costs may escalate reducing the final profits/revenues of the completed project.
3. Economic Factors may effect the final value of the project and future cash flows.
4. This mortgage is a syndicated mortgage and is administered by Hi-Rise Capital Ltd. See section 1- Cautions of this form for risks associated with syndicated mortgages.

The mortgage brokerage has fully complied with all requirements of the *Mortgage Brokerages, Lenders and Administrators Act, 2006* and its regulations.

I have fully completed the above Declaration of Brokerage Relationships and Potential Conflicts of Interest in accordance with the *Mortgage Brokerages, Lenders and Administrators Act, 2006* and its regulations and declare it to be accurate in every aspect to the best of my knowledge.



Signature of Mortgage Broker

2015-07-15
Date (yyyy-mm-dd)

Jim (Dimitrios) Neilas
Print name of Mortgage Broker

M08003817
Licence number of Mortgage Broker

Acknowledgement

I, Investor Name ,
Print name of Investor/Lender

acknowledge receipt of this Declaration by the Mortgage Brokerage signed by

Jim (Dimitrios) Neilas
Print name of Mortgage Broker

Signature of Investor/Lender

2015-07-15
Dated by Investor/Lender (yyyy-mm-dd)

Section 3 - Information Disclosure Summary

Part A. Property/Security to Be Mortgaged

1. Legal and Municipal address of the property:

263 Adelaide Street West, Toronto, Ontario
See Appendix "B" for the legal address of the property.

2. Type of Property:

- [x] Property with existing buildings
  - [ ] Single family residential
    - [ ] owner occupied
    - [ ] rental
    - [ ] condominium
  - [ ] One-to-four unit residential
  - [ ] Five or more unit residential
  - [x] Commercial
  - [ ] Industrial
  - [ ] Agricultural
  - [ ] Other, explain below

    The property has an existing commercial building.
- [ ] Vacant land, development or construction project. Detail of project/proposed use, including projected starting and completion dates:

  See Appendix “B” for further details relating to the project.
- [ ] Other: _____

3. Purchase Price:

(a) Purchase Price of Property: $16,500,000.00 (b) Date of Purchase June 23, 2011

4. Property Taxes:

(a) Annual property taxes: $230,328.70

Are taxes in arrears?

- [ ] No
- [x] Yes
- [ ] Investor/Lender's Solicitor to verify taxes prior to closing or ensure coverage under title insurance.

Amount of arrears $230,328.70

5. Condominium Fees (If applicable):

(a) monthly condominium fees N/A

Are fees in arrears?

- [ ] No
- [ ] Yes

Amount of arrears _____

Investor/Lender Initials: Date: 2015-07-15

Part A. Property/Security to Be Mortgaged (continued)

6. Zoning:

Is the zoning on the property appropriate for the proposed use?

- [x] No
- [ ] Yes
- [ ] Investor/Lender's Solicitor to verify zoning prior to closing or ensure coverage under title insurance.

If No, details:

A re-zoning application has been submitted.

7. Appraisal

- [ ] An appraisal has not been done on the property within the past 12 months OR
- [x] An appraisal has been done on the property within the past 12 months

For all properties, appraised “as is” value: $41,000,000.00

If the appraisal was addressed to someone other than the investor/lender of record, provide a transmittal letter.

Date of appraisal: See Appendix "D"

Name and address of appraiser:

Colliers International
1 Queen Street East Suite 2200
Toronto Ontario M5C 2Z2

Investor/Lender Initials: Date: 2015-07-15

Part B. Mortgage Particulars

1. Type of Mortgage:

Your investment represents:

☐ the entire mortgage OR

☑ a portion of the mortgage Your portion represents 0.07 % of the total.

Number of other parties that have an interest in this mortgage. 579

In what name(s) will the mortgage be registered?

Hi-Rise Capital Ltd.

If the mortgage is not registered in the investor's name, explain:

The mortgage is registered in the name of Hi-Rise Capital Ltd. pursuant to the terms of the Mortgage Administration Agreement and the Loan Participation Agreement.

2. Existing or New Mortgage:

☑ An existing registered mortgage or portion of an existing registered mortgage is being purchased.

☐ Your investment will fund a new mortgage or portion of a new mortgage that has not yet been registered.

3. Administered Mortgage:

Will the mortgage be administered for you?

Important: A Mortgage Administrator must be licenced under *Mortgage Brokerages, Lenders and Administrators Act, 2006.*

☐ No

☑ Yes

If "Yes", name, address and licence number of administrator:

Hi-Rise Capital Ltd. - Mortgage Administrator # 11893
200 Adelaide Street West, Suite 401, Toronto, ON M5H 1W7

4. Terms of the Mortgage:

Amount of your investment: $Investment Amt

Face value of the mortgage: $60,000,000.00

Interest rate is fixed at 18% per annum OR

Interest rate is variable. Explain:

Compounding period: Quarterly

What is the borrower's cost of borrowing as disclosed to the borrower? N/A

Payment frequency Quarterly

Payments to be made by borrower: $2,700,000.00

Payments to you: $Interest Payment

(See Part D for fees charged to you)

Term: 4 Years

Amortization: Interest Only

Maturity date: February 1, 2018

Balance on maturity: $60,000,000.00

Borrower's first payment due: March 1, 2014

Borrower's rate of interest if different from the rate of interest to be paid to the investor.

Borrower's rate of interest: 18%

Investor(s) rate of interest: 10%

Terms and conditions of repayment:

For terms and conditions of repayment of the mortgage, please see a copy of the mortgage charge (Appendix "D"). For terms and conditions of repayment of your investment, refer to the Loan Participation Agreement.

Investor/Lender Initials: Date: 2015-07-15

Part B. Mortgage Particulars (continued)

5. Rank of Mortgage (according to information from borrower):

The mortgage to be purchased/advanced is/will be a:

☐ First ☑ Second ☐ Third ☐ Other mortgage _____

Can the rank of the mortgage change?

☐ No ☑ Yes

If yes, explain how it might change and is it expected to change?

The mortgage may postpone to the following: construction financing, municipal registrations related to site plan, permits, mezzanine financing, insurance. Please refer to Loan Participation Agreement in Appendix "D".

Prior encumbrances (existing or anticipated):

☐ None OR

	a)	b)
Priority:	First Mortgage	Second Mortgage
Face Amount:	$14,300,300.00	$24,500,000.00
Amount Owing:	$14,300,300.00	$14,500,000.00
In default?	☑ no ☐ yes ☐ unknown	☑ no ☐ yes ☐ unknown
If yes, explain		
Name of Mortgagee:	KingSett Mortgage Corporation	Canadian Western Trust

Other encumbrances, including environmental, regulatory and/or liens:

None

6. Loan to value ratio (according to information from borrower):

a) Total of prior encumbrances	$14,300,000.00
b) Amount of this mortgage:	$60,000,000.00
c) Total amount of mortgages: (a + b)	$74,300,000.00
d) Appraised “as is” value: (from Part A)	$41,000,000.00
e) Loan to “as is” value: (c/d X 100)	181%
f) Projected value: (where appropriate):	$178,000,000.00
g) Loan to “projected value” ratio: (c/f X 100)	42%

7. Amount of Mortgage Advance

If the amount of the mortgage advance is less than the face value of the mortgage, provide explanation

The full face value of the mortgage has not been advanced. From time to time, Hi-Rise Capital Ltd. may advance additional funds to the borrower as investors invest in the project. See Appendix “C” for an advance schedule.

Investor/Lender Initials: Date: 2015-07-15

Part C. The Borrower

Name and Address of Borrower:

Adelaide Street Lofts Inc.,
263 Adelaide Street West, Suite 503, Toronto, ON, M5H 1Y2

☑ The brokerage has identified the borrower(s) and evidence of identity is attached/will be provided on

Date (yyyy-mm-dd) _____

☐ The brokerage has not verified the identity of the borrower(s).

Explain what steps the brokerage will take to verify the identity before closing:

Important: Financial information about the borrower's ability to meet the mortgage payments must be attached to this Disclosure Statement.

Part D. Fees

1. Fees and charges payable by the investor/lender

	Estimate
Mortgage brokerage fee/commission/other costs:	$
Approximate legal fees and disbursements:	$
Administration fees (where applicable):	$
Any other charges: Specify:	
Registered Acct. Only: One-time account set-up fee *	$113.00
Registered Acct. Only: Annual account holding fee *	$169.50
Registered Acct Only: Annual account admin fee *	$141.25
Total:	$310.75 - Annually

Are any of the above fees or charges refundable?

☑ No

☐ Yes

Explain:

2. Fees and costs payable by the borrower:

Estimate	Paid to	Purpose
$	See Appendix "A"	See Appendix "A"

Investor/Lender Initials: Date: 2015-07-15

Part E. Attached Documents

Important: You should review the following documents carefully and assess the risks of this investment before committing to invest. You should check that all documents are consistent with this disclosure summary. The following documents should be attached. If not available or applicable, provide comments in the box below.

	Attached
1. If the statement concerns an existing mortgage, provide a copy of the mortgage.	☑
2a. If an appraisal of the property has been done in the preceding twelve months and is available to the mortgage brokerage, a copy of the appraisal.	☑
2b. If a copy of an appraisal of the property is not delivered to you, documentary evidence of the property value, other than an agreement of purchase and sale.	☐
3. If an agreement of purchase and sale in respect of the property has been entered into in the preceding twelve months and is available to the mortgage brokerage, a copy of the agreement of purchase and sale and all related schedules, amendments and waivers.	☐
4a. Documentary evidence respecting the borrower's ability to meet the mortgage payments.	☐
4b. If you request, a copy of the borrower's application for a mortgage including documents submitted in support of application.	☐
5. If the mortgage is for the purchase of a property, documentary evidence of any down payment made by the borrower for the purchase of the property.	☐
6. A copy of any agreement that you may be asked to enter into with the mortgage brokerage and/or mortgage administrator.	☑
7. Completed Addendum for Construction and Development Loans (Form 1.1)	☑

8. List other documents being provided here.

See Appendix "D" for a full list of documents provided pursuant to this section. Documents listed in sections 2(b), 3 and 5 above are not applicable. Items 4(a) and 4(b) have not been reviewed or received from the borrower.

9. If other relevant documents are not being provided or the documents are not attached explain:

See Appendix "E" for a full list of relevant documents, which are available to the investor upon written request.

Important: The mortgage brokerage is also required to provide you with all other information a lender or an investor of ordinary prudence would consider to be material to a decision whether to lend money on the security of the property or invest in the mortgage, so that you can make an informed decision before you commit to lend/ invest. This information might include the following:

1. If the property is a rental property, details of leasing arrangements, assignment of rent provisions and vacancy status.
2. Environmental considerations affecting the value of the property.
3. If applicable, attach any power of attorney authorizations.

Investor/Lender Initials: Date: 2015-07-15

Part F. Certification

This Information Disclosure Summary has been completed by:

Hi-Rise Capital Ltd. - Mortgage Brokerage # 10897
200 Adelaide Street West, Suite 401, Toronto, ON M5H 1W7

Name, address and licence number of mortgage brokerage

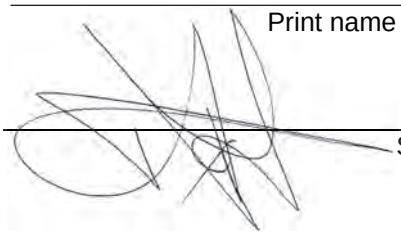
I have fully completed the above Information Disclosure Summary in accordance with the Mortgage Brokerages, Lenders and Administrators Act, 2006 and its regulations and declare it to be accurate in every respect to the best of my knowledge.

Jim (Dimitrios) Neilas

Print name of Mortgage Broker

M08003817

Licence number of Mortgage Broker



Signature

2015-07-15

Date (yyyy-mm-dd)

Acknowledgement

I, Investor Name ,of

Print name of Investor/Lender

Investor Address

address

acknowledge receipt of this Information Disclosure Summary, signed by the above named mortgage broker.

Signature of Investor/Lender

2015-07-15

Dated by Investor/Lender (yyyy-mm-dd)

One copy of this form must be provided to the prospective lender/investor, and one copy must be retained by the mortgage brokerage

Important: The information in this Disclosure Statement must be provided to you at the earliest opportunity and, in any case, no later than two business days before the earliest of the following events:

- **When the brokerage receives or enters an agreement to receive money from you.**
- **When you enter into a mortgage agreement or an agreement to trade in a mortgage.**
- **The money is advanced to the borrower under the mortgage.**
- **The trade completion date.**

You may agree to reduce the two business day waiting period to one business day by consenting in writing by completing the approved Waiver (Form 1.2).

DISCLOSURE FORM 1.1

Financial Services Commission of Ontario

Form 1.1 - Investor/Lender Disclosure Statement For Brokered Transactions – Addendum for Construction and Development Loans

Including Syndicated or Non-Syndicated Mortgages

Mortgage Brokerages, Lenders and Administrators Act, 2006

Transaction Number 10-1010-3

Important: This Investor/Lender Disclosure Statement For Brokered Transactions - Addendum for Construction and Development Loans ("Disclosure Statement Addendum") and Investor/Lender Disclosure Statement For Brokered Transactions Form 1 are required by law, and will provide the prospective investor/lender with important information to assist you in making a decision about whether to invest/lend. This form needs to be completed in conjunction with Form1 - Investor/Lender Disclosure Statement For Brokered Transactions.

To enable potential investors and lenders to thoroughly review the document and obtain independent legal advice, this disclosure of information must be made at the earliest opportunity and, in any case, **no later than two business days** before the **earliest** of the following events:

- When the brokerage receives or enters an agreement to receive money from you.
- When you enter into a mortgage agreement or an agreement to trade in a mortgage.
- The money is advanced to the borrower under the mortgage.
- The trade completion date.

You may agree to reduce the two business day waiting period to one business day by consenting in writing by completing the approved Waiver (Form 1.2).

Section 1 - Caution

This Disclosure Statement Addendum has not been filed with the Financial Services Commission of Ontario (FSCO). Neither FSCO nor any other authority of the Government of Ontario has reviewed or approved the completed Disclosure Statement Addendum.

Investor/Lender Initials: Date: 2015-07-15

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Section 2 - Additional Declarations by the Mortgage Brokerage

1. *The Mortgage Brokerages, Lenders and Administrators Act, 2006* requires disclosure of the nature of the relationship between the mortgage brokerage and other persons and entities involved in the mortgage transaction. For the purposes of this Disclosure Statement and Addendum, two persons are "related" if they share any relationship other than an arm's length business relationship. For example, a shareholder, director, officer, partner or employee of a mortgage brokerage is related to the mortgage brokerage and to any broker or agent authorized to deal or trade in mortgages on behalf of the mortgage brokerage (referred to below as "its" [the brokerage's] brokers and agents).

   This additional declaration is made by

   Hi-Rise Capital Ltd. - Mortgage Brokerage # 10897
   200 Adelaide Street West, Suite 401, Toronto, ON M5H 1W7

   Name, address and licence number of mortgage brokerage

2. Is/are the developer(s) related to the mortgage brokerage or to any of the officers, directors, partners, employees or shareholders of the brokerage or any of its brokers or agents?

   ☐ No ☑ Yes ☐ Not applicable

   If Yes, explain:

   The developer is a company owned by Jim Neilas, who is also the principal and owner of Hi-Rise Capital Ltd.

3. Is the brokerage or any of its brokers or agents related to any of the other investors/lenders in the mortgage?

   ☐ No ☑ Yes

   If Yes, explain:

   Brokers/agents of Hi-Rise Capital Ltd. are related to investors/lenders.

Investor/Lender Initials: Date: 2015-07-15

Section 3 - Additional Information Disclosure Summary

Part A. Project Details

1. Construction/Development Loans

What will the funds be used for (check all that apply)?

- ☐ Soft costs (e.g. applying for zoning charges, advertising, interior design and architect's fees)
- ☐ Construction costs
- ☑ Other

If other, explain:

Other costs include, but are not limited to, broker/agent fees, interest costs, & management fees.

2. Identity any person(s) who will monitor the disbursements of funds to the borrower and the use of those funds by the borrower:

Peter Neilas, Chief Financial Officer, and Noor Al-Awqati, Director of Finance & Administration, monitor the disbursements of funds to the borrower. John Neilas monitors the use of funds by the borrower.

3. Name, address and Tarion warranty number(s) of the developer(s)

N/A

4. Have the developer(s) ever been a party to a project that has had a mortgage default and power of sale proceeding commenced?

☑ No ☐ Yes

If yes, explain:

5. Have/Are any of the principal(s) of the developer(s) such as the directors, officers, owners or partners:

(a) ever been convicted, found guilty of or currently charged with any criminal or regulatory offence under any law of any province, territory, state or country?

☑ No ☐ Yes ☐ Unknown

If Yes, explain:

(b) currently the subject of any civil proceedings or any unsatisfied judgments imposed by a civil court, in Canada or elsewhere, against them personally or against a business in which they have an interest of at least ten percent in the equity shares or ownership interests of the business?

☐ No ☑ Yes ☐ Unknown

If Yes, explain:

Jim Neilas is a subject of civil proceedings against him. There are no unsatisfied judgments.

Investor/Lender Initials: Date: 2015-07-15

Part A. Project Details (continued)

6. What due diligence has the mortgage brokerage done regarding the background and experience of the developer(s)?

The developer and the mortgage brokerage are related parties.

Part B. Appraisal and Valuation of Project

☐ An appraisal/valuation has not been done on the property within the past 12 months OR

☑ An appraisal/valuation has been done on the property within the past 12 months

For all properties, appraised "as is" value: $41,000,000

If the appraisal/valuation was addressed to someone other than the investor/lender of record, provide a transmittal letter.

Projected value when project is complete as proposed: $178,000,000

Briefly describe any assumptions made and the methodology to determine the projected value of the project when it is completed as proposed:

Rental revenue and expense analysis based on the current market and projected forward looking assumptions has been used to determine the project value as completed.
Assumptions include:
Gross Income: $13,332,857
Operating Expenses: $3,720,956
Capitalization Rate: 4%
Final Value: $240,300,000

Name and address of appraisal/valuation company:

Colliers International
1 Queen Street East Suite 2200
Toronto Ontario M5C 2Z2

Investor/Lender Initials: Date: 2015-07-15

Part C. Additional Attached Documents

Important: You should review the following documents carefully and assess the risks of this investment before committing to invest. You should check that all documents are consistent with this disclosure summary. The following documents should be attached or if not available, comments must be included on each in the box below:

1. a detailed description of the project and the developer(s)
2. a schedule of the funds that have been advanced or are to be advanced to the borrower, and
3. if this investment is in a syndicated mortgage; any loan agreement, syndication agreement or mortgage commitment relevant to the borrower in this transaction must be provided to you.

List other documents being provided here.

See Appendix “B” and "D" for a detailed description of the project and developer
See Appendix “C” for an advance schedule.

If other relevant documents are not being provided or any of the the documents listed above are not attached, explain:

Primary and secondary consultant reports related to the project/property have not been provided.
See Appendix "E" for a schedule of reports and documents available for review upon written request.

Investor/Lender Initials: Date: 2015-07-15

Part D. Certification

This Disclosure Statement Addendum has been completed by:

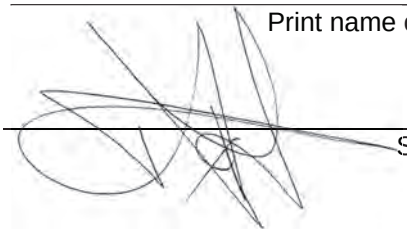
Hi-Rise Capital Ltd. - Mortgage Brokerage # 10897
200 Adelaide Street West, Suite 401, Toronto, ON M5H 1W7

Name, address and licence number of mortgage brokerage

I have fully completed the above Information in accordance with the *Mortgage Brokerages, Lenders and Administrators Act, 2006* and its regulations and declare it to be accurate in every respect to the best of my knowledge.

Jim (Dimitrios) Neilas
Print name of Mortgage Broker

M08003817
Licence number of Mortgage Broker


Signature

2015-07-15
Date (yyyy-mm-dd)

Acknowledgement

I, Investor Name ,
Print name of Investor/Lender

acknowledge receipt of this Disclosure Statement Addendum, signed by the above named mortgage broker.

Signature of Investor/Lender

2015-07-15
Dated by Investor/Lender (yyyy-mm-dd)

One copy of this form must be provided to the prospective lender/investor, and one copy must be retained by the mortgage brokerage.

Important: The information in this Disclosure Statement must be provided to you at the earliest opportunity and, in any case, no later than two business days before the earliest of the following events :

- **When the brokerage receives or enters an agreement to receive money from you.**
- **When you enter into a mortgage agreement or an agreement to trade in a mortgage.**
- **The money is advanced to the borrower under the mortgage.**
- **The trade completion date.**

You may agree to reduce the two business day waiting period to one business day by consenting in writing by completing the approved Waiver (Form 1.2).

APPENDIX A

Adelaide

APPENDIX 'A'

Fees and Costs Payable by the Borrower Relating to the Investment

Paid to	Purpose	Fee	Notes
Hi-Rise Capital Ltd.	Mortgage Administration Fee	Annual fee of 0.5% of the principal outstanding	1
Hi-Rise Capital Ltd.	Mortgage Administration Fee	Annual fee of 8% of the principal outstanding	2
Hi-Rise Capital Ltd.	Offering Marketing Fee	2% of Lender/Investor investment	3
	Referral Fee *	$	4
Hi-Rise Capital Ltd.	Commission **	$	5

***** The referring party may receive additional monetary and non-monetary compensation as a result of this transaction.

****** Hi-Rise Capital Ltd. receives commissions totaling 14% of the amount invested. The amount disclosed above is the commission earned by Hi-Rise Capital Ltd. net of any referral fees, which are paid from the 14% commission fee earned by Hi-Rise Capital Ltd.

Notes:

1. Hi-Rise Capital Ltd., a related party, will earn a Mortgage Administration Fee of 0.5% of the principal outstanding on the mortgage.

2. Hi-Rise Capital Ltd., a related party, is entitled to a Mortgage Administration Fee of 8% of the principal outstanding on the mortgage. For greater clarity, the 18% in interest payments due to be paid by the Borrower to Hi-Rise Capital Ltd. encompass the 8% Mortgage Administration Fee.

3. Hi-Rise Capital Ltd., a related party, will be entitled to an Offering Marketing Fee of 2% of the Lender/Investor investment.

4. The referring party may receive additional monetary and non-monetary compensation as a result of this transaction.

5. The Commission Fee is calculated as 14% of the Lender/Investor investment less the Referral Fee.

Signature _____

Fees and Costs Payable by the Borrower to Related Parties

Paid to	Purpose	Fee	Notes
Neilas Inc.	Development Fee	$180,000.00 per quarter	1

Notes:

1. Neilas Inc., a related party, will earn a Development Fee of $180,000 per quarter.

Fees and Costs Previously Incurred by the Borrower

Paid to	Purpose	Fee
Neilas Inc.	Assignment Fee	$1,000,000.00
Neilas Inc.	Acquisition Fee	$75,000.00
Hi-Rise Capital Ltd.	Step-Up Fee	$140,000.00
Bousfields Inc.	Urban Planners	$2,429.50
Fogler, Rubinoff LLP	Lawyers	$18,299.01
KRCMAR Surveyors Ltd.	Surveyors	$6,840.71
MacKenzie Ray Heron & Edwardh	Appraisers	$9,605.00
McClymont & Rak Engineers Inc.	Environmental Assessment	$3,390.00
Pelican Woodcliff Inc.	Real Estate & Construction Consultants	$3,277.00
Hi-Rise Capital Ltd.	Lender Fee	$140,000.00
Bratty and Partners	Lender Legal Fees	$20,000.00
Icon 1 Realty	Real Estate Broker Fee	$412,500.00

Conflict of Interest

The brokerage declares to the participant that; the Administrator Hi Rise Capital Ltd, Neilas Inc. Skypoint Hi-Rise Ltd., Adelaide Street Lofts Inc., are companies owned by the same principal, Jim Neilas, and are entitled to profit from the project if it is successful.

Signature _____

APPENDIX B

Adelaide

APPENDIX "B"

PROJECT SUMMARY

The project when completed will consist of 49 storeys located in Downtown Toronto. 435 residential units. 48 units zoned as live/work.

PROJECT STATISTICS

PROJECT ADDRESS	263 Adelaide Street West, Toronto, Ontario
ZONING STATUS	A re-zoning application for 42 storeys is pending with the City of Toronto. We are reviewing our current application for a possible amendment
SITE AREA	15,315 SF
NUMBER OF STOREYS	49
BUILDABLE	387,848 SF
RENTABLE	303,834 SF
AMENITY INDOOR	9,370 SF
RESIDENTIAL UNITS	435
AVERAGE UNIT SIZE	698 SF
PARKING STALLS	120
PARKING LEVELS	5
LOCKERS	435

SUITE MIX

1 BEDROOM	12
1 BEDROOM + DEN	86
2 BEDROOM	117
2 BEDROOM + DEN	117
3 BEDROOM	55
LIVE/WORK	48

Initials _____

PROJECT PROPERTY

PIN	21411 – 0162 LT
DESCRIPTION	Part Block B, Plan 216E Toronto as in E61538, S/T and T/W E561538, City of Toronto
ADDRESS	263 Adelaide Street West, Toronto, ON

Initials _____

APPENDIX C

Adelaide

Appendix C

Schedule of Advances

2011	$7,391,500
2012	$4,758,500
2013	$8,322,000
2014	$10,042,500
Q1 2015	$2,102,500
Q2 2015	$963,000
Anticipated Advances (CWT):	$3,618,500

Initials _____

APPENDIX D

ASSET HOLDER SECURITY DOCUMENTS

APPENDIX "D"

Section 3 Part E. Form 1 – Investor/Lender Disclosure Statement for Brokered Transaction list documents that may or may not be related to this investment. Enclosed in Appendix "D" are documents related to Part E. of Form 1

1) Copy of The Mortgage Charge

2a) Appraisal/Opinion of Value on the Property and/or Project

2b) Not applicable

3) Not applicable

4a) See Mortgage Commitment

4b) Not received

5) Not applicable

6) Mortgage Participation Agreement & Loan Participation Agreement

7) Form 1.1 Investor/Lender Disclosure Statement

In addition to the standard Investment Documents Hi-Rise Capital has enclosed the following documents as part of its disclosure to investors for review.

8) RSA Errors and Omissions Insurance Liability Policy

9) Solicitors Certificate of Title and Final Report

10) Certification of Incorporation

Properties

PIN 21411 – 0162 LT
Description PT BLK B PL 216E TORONTO AS IN ES61538; S/T & T/W ES61538; CITY OF TORONTO
Address 263 ADELAIDE ST W
TORONTO

Consideration

Consideration $2.00

Applicant(s)

The notice is based on or affects a valid and existing estate, right, interest or equity in land

Name ADELAIDE STREET LOFTS INC.
Address for Service 200 Adelaide St. West
Suite 401
Toronto, ON
M5H 1W7

I, John Neilas, A.S.O., have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Party To(s) *Capacity* *Share*

Name HI-RISE CAPITAL LTD.
Address for Service 200 Adelaide Street West
Suite 401
Toronto, ON
M5H 1W7

I, John Neilas, A. S. O., have the authority to bind the corporation

This document is not authorized under Power of Attorney by this party.

Name CANADIAN WESTERN TRUST COMPANY
Address for Service c/o William Scott
McCarthy Tetrault
Suite 4700, TD Bank Tower
Toronto, ON
M5K 1E6

I, Richard Tebb, Manager Policy Development & Regulatory Relations, and Jason Baker, Director, Business Development, have the authority to bind the corporation

This document is not authorized under Power of Attorney by this party.

Statements

This notice is pursuant to Section 71 of the Land Titles Act.

This notice may be deleted by the Land Registrar when the registered instrument, AT3522463 registered on 2014/02/18 to which this notice relates is deleted

Schedule: See Schedules

This document relates to registration no.(s)AT3522463, AT3522464, AT3522631, AT3586925 and AT3591493

Signed By

Glynis Selina Huff 40 King St. W. Toronto M5H 3Y4 acting for Applicant(s) Signed 2015 07 15

Tel 416-367-6000
Fax 416-367-6749

I have the authority to sign and register the document on behalf of the Applicant(s).

Submitted By

Borden Ladner Gervais LLP
40 King St. W.
Toronto
M5H 3Y4

2015 07 15

Tel 416-367-6000
Fax 416-367-6749

Fees/Taxes/Payment

Statutory Registration Fee	$60.00
Total Paid	$60.00

File Number

Applicant Client File Number : 032536.000001

AGREEMENT AMENDING CHARGE

THIS AGREEMENT made as of the 10th **day of** July, **2015.**

B E T W E E N:

HI-RISE CAPITAL LTD. and
CANADIAN WESTERN TRUST COMPANY
(hereinafter, collectively, referred to as "Chargees")

OF THE FIRST PART,

- and –

ADELAIDE STREET LOFTS INC.
(hereinafter referred to as "Chargor")

OF THE SECOND PART.

WHEREAS:

A. By a Charge registered on February 18, 2014 in the Land Registry Office for the Land Titles Division of Toronto (No. 66), as Instrument No. AT3522463, the Chargor, mortgaged the lands described herein (the "Property") in favour of the Hi-Rise Capital Ltd., as chargor, to secure payment of the principal sum of Forty Million Dollars ($40,000,000.00) with interest as therein set out upon the terms therein mentioned (the "Charge") (the "Loan").

B. By a Transfer of Charge registered on May 22, 2014 in the Land Registry Office for the Land Titles Division of Toronto (No. 66), as Instrument No. AT3586925, a portion of the Charge was transferred to Canadian Western Trust Company upon the terms therein mentioned (the "Transfer of Charge") (the "Charge and the Transfer of Charge are hereafter collectively referred to as the "Charge").

C. As additional and collateral security to the Charge, the Chargor gave to the Chargees other ancillary and collateral security documentation delivered by the Chargor to the Chargees in connection with the Charge (collectively, the Additional and Collateral Security").

D. The Charge and Additional and Collateral Security are collectively herein referred to as the "Chargees Security".

E. The parties hereto signing as Chargor and Chargees have agreed to execute this Agreement Amending Charge to amend the terms of the Charge to increase the principal amount of the Charge from Forty Million Dollars ($40,000,000.00) to Sixty Million Dollars ($60,000,000.00).

WITNESSETH THAT in consideration of the premises and the sum of Two ($2.00) Dollars now paid by each of the parties hereto to the other, (the receipt and sufficiency whereof is hereby acknowledged), it is agreed by the parties hereto that the Charge is hereby amended from and including the 10th day of July, 2015 (the "Effective Date"), as follows:

1. As of the Effective Date the principal sum of the Charge shall be increased from Forty Million Dollars ($40,000,000.00) to Sixty Million Dollars ($60,000,000.00);

2. The Chargor agrees that the following registrations previously executed and delivered to the Chargees as collateral to the Charge remain in full force and effect and shall continue as security for the repayment of the money secured by the Charge and the Chargor further agrees to be bound by the terms and conditions therein:

(a) General Assignment of Rents relating to the Property registered on February 18, 2014 at the Land Registry Office for the Land Titles Division of Toronto (No. 66) as Instrument No. AT3522464.

3. The Schedule attached to the Transfer of Charge is hereby amended by deleting the reference to "Nine Million, Five Hundred Thousand Dollars ($9,500,000.00)" and replacing it with "Twenty-Four Million, Five Hundred Thousand Dollars ($24,500,000.00)".

4. Except as amended by this Agreement Amending Charge, all terms and conditions of the Charge shall remain in full force and effect unamended, *mutatis mutandis*. In all other respects the parties hereto confirm the terms and conditions contained in the Charge.

5. The parties agree that they shall execute and deliver such further and other documents and perform and cause to be performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement Amending Charge and every part of this Agreement Amending Charge.

6. This Agreement Amending Charge shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

7. Nothing contained herein shall create any merger or alter the rights of the Chargees as against any subsequent encumbrancer or other person interested in the Property and not a party hereto liable to pay the principal money or the rights of any such person, all of which rights are hereby reserved.

8. The parties agree, that in construing this Agreement Amending Charge, that all rights, advantages, privileges, immunities, powers and things hereby secured to the Chargor and the Chargees shall be equally secured to and exercisable by their respective successors and assigns. And that all covenants, liabilities and obligations entered into or imposed hereunder upon the Chargor and the Chargees shall be equally binding upon their respective successors and assigns.

9. In construing this Agreement, the words "Chargor", "Chargees" and all personal pronouns shall be read as the number and gender of the party or parties referred to herein requires and all necessary grammatical changes, as the context requires, shall be deemed to be made.

10. This Agreement may be executed in counterpart, all such executed counterparts shall constitute the same agreement and the signature of any party to any counterpart shall be deemed to be signature to, and may be appended to, any other counterpart.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The parties have duly executed this Agreement Amending Charge as of the date above first written.

HI-RISE CAPITAL LTD.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I/We have authority to bind the Corporation

CANADIAN WESTERN TRUST COMPANY

Per: _____
Name:
Title:

Richard Tebb
Manager Policy Development
& Regulatory Relations

Per: _____
Name:
Title:

JASON BAKER
Director, Business Development

I have authority to bind the Corporation

ADELAIDE STREET LOFTS INC.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I have authority to bind the Corporation

The parties have duly executed this Agreement Amending Charge as of the date above first written.

HI-RISE CAPITAL LTD.

Per: _____
Name: John Neilas
Title: ASO

Per: _____
Name:
Title:

I/We have authority to bind the Corporation

CANADIAN WESTERN TRUST COMPANY

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I have authority to bind the Corporation

ADELAIDE STREET LOFTS INC.

Per: _____
Name: John Neilas
Title: ASO

Per: _____
Name:
Title:

I have authority to bind the Corporation

Properties

PIN	21411 - 0162 LT
Description	PT BLK B PL 216E TORONTO AS IN ES61538; S/T & T/W ES61538; CITY OF TORONTO
Address	263 ADELAIDE ST W TORONTO

Source Instruments

Registration No.	*Date*	*Type of Instrument*
AT3522463	2014 02 18	Charge/Mortgage

Transferor(s)

This transfer of charge affects all lands that the charge is against which are outstanding.

Name	HI-RISE CAPITAL LTD.
Address for Service	200 Adelaide Street West Suite 401 Toronto, ON M5H 1W7

I, Jim Neilas (President), have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Transferee(s) *Capacity* *Share*

Name	CANADIAN WESTERN TRUST COMPANY
Address for Service	c/o William Scott McCarthy Tetrault Suite 4700, TD Bank Tower Toronto, Ontario M5K 1E6

Statements

The chargee transfers the selected charge for see schedule

The chargee transfers a portion (see Schedule) of the selected charge.

Schedule: See Schedules

This document relates to registration no.(s)AT3522463 and AT3522464

Signed By

Barry Mitchell Polisuk	1 Adelaide Street E., Suite 801 Toronto M5C 2V9	acting for Transferor(s)	Signed	2014 05 22

Tel 416-869-1234

Fax 416-869-0547

I have the authority to sign and register the document on behalf of all parties to the document.

Barry Mitchell Polisuk	1 Adelaide Street E., Suite 801 Toronto M5C 2V9	acting for Transferee(s)	Signed	2014 05 22

Tel 416-869-1234

Fax 416-869-0547

I have the authority to sign and register the document on behalf of all parties to the document.

Submitted By

GARFINKLE, BIDERMAN LLP

1 Adelaide Street E., Suite 801
Toronto
M5C 2V9

2014 05 22

Tel 416-869-1234

Fax 416-869-0547

Fees/Taxes/Payment

Statutory Registration Fee	$60.00
Total Paid	$60.00

File Number

Transferor Client File Number : 028107.000001

SCHEDULE

Hi-Rise Capital Ltd. (the chargee under the Charge) transfers to Canadian Western Trust Company (the transferee hereunder) a portion of the selected charge up to a maximum principal amount of Nine Million, Five Hundred Thousand Dollars ($9,500,000) from time to time together with interest thereon (the "CWT Portion").

The CWT portion of the Charge shall in all respects and at all times have priority over the remainder of the Charge.

SCHEDULE "B"

STANDARD CHARGE TERMS AND CONDITIONS

1. DEFINED TERMS

Unless otherwise expressly defined or otherwise required by the context, the following words and phrases shall have the following meanings when used in the Charge:

1.1 "**Borrower**" means all Persons who have given the Charge and who have executed the same as Borrower;

1.2 "**Charge**" means the Charge/Mortgage of Land and all schedules attached to the Charge and all amendments thereto and replacements thereof from time to time;

1.3 "**Costs**" includes all costs, fees, charges and expenses of every nature and kind whatsoever incurred by the Lender or paid by the Lender to any other party in connection with the protection and preservation of the Property or any other security held by the Lender, or for the purpose of preserving and maintaining the enforceability and priority of the Charge and any such other security, or in connection with any and all demands and enforcement proceedings of every nature and kind made or carried out by or on behalf of the Lender under or pursuant to the Charge, and includes, without limitation, legal costs incurred by the Lender on a full indemnity basis;

1.4 "**Commitment**" means each and every letter of commitment, loan approval, term sheet or other similar agreement establishing or pertaining to the loan secured by the Charge or pursuant to which the Charge has been given, and all amendments thereto and renewals or replacements thereof from time to time;

1.5 "**Condominium Corporation**" means each corporation created or continued pursuant to the *Condominium Act, 1998* (Ontario) and pertaining to all or any part of the Property which are governed by the said Act;

1.6 "**Covenantor**" means any party to the Charge expressly defined as such and any and all Persons who have directly, indirectly, as principal debtor or as surety covenanted to pay or guaranteed payment of the whole or any part of the amount or amounts secured by the Charge or which are owing under the loan facilities referred to in this Commitment or who have covenanted to perform or guaranteed performance by the Borrower of its obligations under the Charge or under this Commitment or under any security given in connection therewith;

1.7 "**Environmental Laws**" means, in respect of any Person, property, transaction or event, all applicable laws, statutes, rules, by-laws and regulations, and all applicable directives, orders, codes, judgments and decrees of Governmental Bodies, whether now in existence or hereafter arising, intended to regulate and/or protect the environment and/or any living thing and/or relating to Hazardous Substances;

1.8 "**Governmental Body**" means any government, parliament, legislature, or any regulatory authority, bureau, tribunal, department, instrumentality, agency, commission or board of any government, parliament or legislature, or any court, and without limiting the foregoing, any other law, regulation or rule-making entity having or purporting to act under the authority of any of the foregoing (including, without limitation, any arbitrator) and "Governmental Bodies" means any one or more of the foregoing collectively;

1.9 "**Hazardous Substance**" means any hazardous or dangerous waste or substance, pollutant, contaminant, waste or other substance without limitation, whether solid, liquid or gaseous in form, which when released into the natural environment may, based upon reasonably authoritative information then available concerning such substance, immediately or in the future directly or indirectly cause material harm or degradation to the natural environment or to the health or welfare of any living thing and includes, without limiting the generality of the foregoing,

1.9.1 any such substance as defined or designated under any Environmental Laws;

1.9.2 asbestos, urea formaldehyde, poly-chlorinated byphenyl (PCB) and materials manufactured with or containing the same; and,

1.9.3 radioactive and toxic substances;

and "Hazardous Substances" means any one or more of the foregoing collectively;

1.10 "**Lender**" means all Persons in whose favour the Charge is given and who is or are named in the Charge as Lender;

1.11 "**Person**" means an individual, sole proprietorship, partnership, joint venture, syndicate, association, trust, body corporate, a natural person in its capacity as trustee, personal

representative or other legal representative, the Crown or any agency or instrumentality thereof, and/or any other entity recognized by law;

1.12 "**Property**" means the Property, tenements, hereditaments and appurtenances and any estate or interest therein described in the Charge, and all buildings and improvements now or hereafter situate or constructed thereon, and all easements, rights-of-way and other appurtenances thereto, and all structures, additions, improvements, machinery, equipment, decorations and other fixtures of every nature and kind (whether or not affixed in law) attached thereto or placed, installed or erected thereon or used in connection therewith;

1.13 "**Receiver**" means any receiver, receiver and manager, receiver-manager or trustee of the Property as may be appointed from time to time by the Lender pursuant to the provisions of the Charge or by any court of competent jurisdiction;

1.14 "**Taxes**" means all taxes, rates, assessments, local improvement charges, levies, penalties and other charges imposed upon or in respect of the Property by any Governmental Body having jurisdiction.

2. STATUTORY REFERENCES

Unless expressly stipulated or otherwise required by the context, all references in the Charge to any federal, provincial or municipal statute, regulation, by-law, order, directive or other governmental enactment shall be deemed to be and construed as a reference to the same as amended or re-enacted from time to time.

3. EXCLUSION OF STATUTORY COVENANTS

The implied covenants deemed to be included in a charge under sub-section 7(1) of the *Land Registration Reform Act* (Ontario) shall be and are hereby expressly excluded and replaced by the terms hereof which are covenants by the Borrower, for and on behalf of the Borrower, with the Lender.

4. SHORT FORMS OF MORTGAGES ACT

If any of the forms of words contained herein are substantially in the form of words contained in Column One of Schedule B of the *Short Forms of Mortgages Act*, R.S.O. 1980, c. 474, and distinguished by a number therein, the Charge shall be deemed to include and shall have the same effect as if it contained the form of words in Column Two of Schedule B of the said Act, distinguished by the same number, and the Charge shall be interpreted as if the said Act was still in full force and effect.

5. PROVISO FOR REDEMPTION

Provided the Charge to be void upon payment of the principal sum hereby secured, in lawful money of Canada, with interest as herein provided and taxes and performance of statute labour and performance of all covenants and agreements contained in the Charge.

6. RELEASE

And the Borrower releases to the Lender all its claims upon the Property subject to the proviso for redemption herein.

7. ADVANCE OF FUNDS

The Borrower agrees that neither the preparation, execution nor registration of the Charge shall bind the Lender to advance the monies hereby secured, nor shall the advance of a part of the principal sum herein bind the Lender to advance any unadvanced portion thereof, but nevertheless the estate hereby charged shall take effect forthwith upon the execution of the Charge by the Borrower, and the expenses of the examination of the title and of the Charge and valuation are to be secured hereby in the event of the whole or any balance of the principal sum herein not being advanced, the same to be charged hereby upon the Property, and shall be without demand thereof, payable forthwith with interest at the rate provided for in the Charge, and in default the remedies herein shall be exercisable.

8. BORROWER'S COVENANTS

The Borrower covenants with the Lender that the Borrower will pay the principal sum herein and interest and observe the proviso for redemption herein, and will pay as they fall due all Taxes and when required by the Lender, shall transmit the receipts therefore to the Lender;

The Borrower further covenants with the Lender that the Borrower will pay all amounts which are payable hereunder or which are capable of being added to the principal sum herein pursuant to the provisions of the Charge including, without limiting the generality of the foregoing, all servicing or other fees, costs or charges provided for herein; all insurance premiums; the amount paid for the

supply of any fuel or utilities to the Property; all costs, commissions, fees and disbursements incurred by the Lender in constructing, inspecting, appraising, selling, managing, repairing or maintaining the Property; all Costs incurred by the Lender with respect to the Charge or incurred by the Lender arising out, of or in any way related to the Charge; any amounts paid by the Lender on account of any encumbrance, lien or charge against the Property and any and all Costs incurred by the Lender arising out of, or in any way related to, the Lender realizing on its security by sale or lease or otherwise;

And that the Borrower has a good title in fee simple to the Property and has good right, full power and lawful and absolute authority to charge the Property and to give the Charge to the Lender upon the covenants contained in the Charge;

And that the Borrower has not done, committed, executed or wilfully or knowingly suffered any act, deed, matter or thing whatsoever whereby or by means whereof the Property, or any part or parcel thereof, is or shall or may be in any way impeached, charged, affected or encumbered in title, estate or otherwise, except as the records of the land registry office disclose; and free from all encumbrances except as may be permitted by the Lender;

And that the Borrower will execute such further assurances of the Property as may be requisite;

And that the Borrower will produce the title deeds and allow copies to be made at the expense of the Borrower.

9. **COMPLIANCE WITH LAWS AND REGULATIONS**

The Borrower shall, in its ownership, operation and use of the Property, promptly and at all times observe, perform, execute and comply with all laws, rules, requirements, orders, directions, ordinances and regulations of every Governmental Body having jurisdiction with respect to the same, and further agrees at its cost and expense to take any and all steps or make any improvements or alterations thereto, structural or otherwise, ordinary or extraordinary, which may be required at any time hereafter by any such present or future laws, rules, requirements, orders, directions, ordinances or regulations.

10. **CHANGE OF USE**

The Borrower will not change or permit to be changed the existing use or uses of the Property without the prior written consent of the Lender.

11. **REPAIR**

The Borrower will keep the Property including the buildings, erections and improvements thereon in good condition and repair according to the nature and description thereof, and the Lender may, whenever it deems necessary, enter upon and inspect the Property, and the cost of such inspection shall be added to the indebtedness secured hereunder, and if the Borrower neglects to keep the Property in good condition and repair, or commits or permits any act of waste on the Property (as to which the Lender shall be sole judge) or makes default as to any of the covenants or provisos herein contained, the principal sum herein shall, at the option of the Lender, forthwith become due and payable, and in default of payment thereof with interest as in the case of payment before maturity, the powers of entering upon and leasing or selling hereby given may be exercised forthwith and the Lender, upon five days notice to the Borrower and in the event that the Borrower does not in such period cause and diligently proceed with such repairs, may make such repairs as it deems necessary, and the cost thereof with interest at the rate aforesaid shall be added to the monies hereby secured and shall be payable forthwith and be a charge upon the Property prior to all claims thereon subsequent to the Charge.

12. **ALTERATIONS OR ADDITIONS**

The Borrower will not make or permit to be made any alterations or additions to the Property without the prior written consent of the Lender, which consent may be withheld in the Lender's sole discretion or may be given only subject to compliance with such terms and conditions at the cost of the Borrower as the Lender may impose.

13. **PROPERTY INCLUDE ALL ADDITIONS**

The Property shall include all structures and installations brought or placed on the Property for the particular use and enjoyment thereof or as an integral part of or especially adapted for the buildings thereon whether or not affixed in law to the Property including, without limiting the generality of the foregoing, piping, plumbing, electrical equipment or systems, aerials, refrigerators, stoves, clothes washers and dryers, dishwashers, incinerators, radiators and covers, fixed mirrors, fitted blinds, window screens and screen doors, storm windows and storm doors, shutters and awnings, floor coverings, fences, air conditioning, ventilating, heating, lighting, and water heating equipment, cooking and refrigeration equipment and all component parts of any of the foregoing and that the same shall become fixtures and an accession to the freehold and a part of the realty.

14. ENVIRONMENTAL WARRANTY AND INDEMNITY

The Borrower and each Covenantor jointly and severally represent, warrant, covenant and agree that:

14.1. They have not, and to the best of their knowledge, information and belief after making due inquiry, no other Person has caused or permitted any Hazardous Substance to be placed, discharged, stored, located or disposed of, on, under, at or near the Property nor to be released from the Property;

14.2. The Property have never been used as a land fill site, waste disposal site or coal gasification site, or to store Hazardous Substances either above or below ground in storage tanks, pipes, conduits or otherwise;

14.3. They and, to the best of their knowledge, information and belief after making due inquiry, the tenants, invitees and all other occupiers of the Property have at all times carried out all business and other activities upon the Property in strict compliance with all Environmental Laws;

14.4. They will at all times carry out all business and other activities upon the Property in strict compliance with all Environmental Laws, and they will at all times take all necessary measures to ensure that those for whom they are liable in law will also at all times carry out all business and other activities upon the Property in strict compliance with all Environmental Laws.

14.5. To the best of their knowledge, information and belief after making due inquiry, the use and occupation of the Property have at all times been in strict compliance with all Environmental Laws;

14.6. No notice, order, stop work order, inspection file, investigation, directive, enforcement action, regulatory action, suit, claim, action, proceeding or charge relating to any Hazardous Substance or to a breach or non-compliance with any Environmental Laws has been issued by any Governmental Body with respect to the Borrower or the Property, or is otherwise threatened to be issued;

14.7. They will provide the Lender with full and complete copies of all communications received from time to time from all Governmental Bodies with respect to the Property;

14.8. They will provide to the Lender on request and from time to time, information with respect to the status of the environmental matters referred to herein and will complete and deliver, on request, the Lender's standard form of report, if any, on environmental matters;

14.9. The representations and warranties contained in this Warranty and Indemnity are true and accurate in all respects as of the date of the first advance made pursuant to the Charge, and such representations and warranties shall remain true and accurate in all respects and shall survive the release and discharge of the Charge and the repayment and satisfaction of the indebtedness secured by the Charge; and,

14.10. The Lender may delay or refuse to make any advance to the Borrower if the Lender believes that any of the representations and warranties set out in this Warranty and Indemnity are not presently true and accurate or if such representations and warranties have become untrue or inaccurate at any time hereafter.

The Borrower hereby agrees to permit the Lender to conduct, at the Borrower's sole expense, from time to time as required, any and all tests, inspections, appraisals and environmental audits of the Property so as to determine and ensure continuing compliance with the provisions of this Warranty and Indemnity including, without limitation, the right to conduct soil tests and to review and copy any records relating to the Property and/or to the businesses and other activities conducted thereon.

The Borrower and each Covenantor jointly and severally agrees to indemnify and save fully and completely harmless the Lender and its officers, directors, employees, agents and shareholders from and against any and all losses, damages, demands, claims, actions, charges, orders, directives, undertakings, costs, legal fees and expenses, of every nature and kind, whatsoever and howsoever, which at any time or from time to time may be paid by, or incurred by, or suffered by, or asserted against, any of them as a direct or indirect result of:

a) a breach of any of the representations, warranties or covenants hereinbefore set out;

b) the presence of any Hazardous Substance in, on, under or about the Property;

c) the breach of any Environmental Laws; and/or,

d) the discharge, emission, release, spill or disposal of any Hazardous Substance from the Property into or upon any land, the atmosphere, any watercourse, body of water or wetland or any other property.

The representations, warranties, covenants, acknowledgments and indemnifications set out in this Warranty and Indemnity shall survive the release and discharge of the Charge and of any other security held by the Lender and the repayment and satisfaction of the indebtedness secured by the Charge.

15. INSPECTION

The Lender shall have access to and the right to inspect the Property at all reasonable times.

16. TAXES

WITH respect to Taxes, the Borrower covenants and agrees with the Lender that:

16.1. The Lender may deduct from any advance of the monies secured by the Charge an amount sufficient to pay all Taxes which have become due and payable during any calendar year.

16.2. The Lender may at its sole option estimate the amount of the Taxes payable in each year and the Borrower shall forthwith upon demand of the Lender pay to the Lender one-twelfth (1/12) of the estimated annual amount of such Taxes on the 1st day of each and every month during the term of the Charge commencing with the 1st day of the first full month of the term of the Charge. The Lender may at its option apply such payments to the Taxes so long as the Borrower is not in default under any covenant or agreement contained in the Charge, but nothing herein contained shall obligate the Lender to apply such payments on account of Taxes more often than yearly. Provided however, that if the Borrower shall pay any sum or sums to the Lender to apply on account of Taxes, and if before such payments have been so applied by the Lender, there shall be default by the Borrower in respect of any payment of principal or interest as herein provided, the Lender may at its option apply such sum or sums in or towards payment of the principal and interest in default. If the Borrower desires to take advantage of any discounts or avoid any penalties in connection with the payment of Taxes, the Borrower may pay to the Lender such additional amounts as are required for that purpose.

16.3. In the event that the Taxes actually charged in a calendar year, together with any interest and penalties thereon, exceed the amount estimated by the Lender as aforesaid, the Borrower shall pay to the Lender, on demand, the amount required to make up the deficiency. The Lender may at its option, pay any of the Taxes when payable, either before or after they are due, without notice, or may make advances therefore in excess of the then amount of credit held by the Lender for Taxes. Any excess amount advanced by the Lender shall be secured as an additional principal sum under the Charge and shall bear interest at the rate as provided for in the Charge until repaid by the Borrower.

16.4. The Borrower shall transmit to the Lender all assessment notices, tax bills and other notices pertaining to the imposition of Taxes forthwith after receipt thereof.

16.5. The Borrower shall pay to the Lender, in addition to any other amounts required to be paid hereunder, the amount required by the Lender in its sole discretion for a reserve on account of future liability for Taxes.

16.6. In no event shall the Lender be liable for any interest on any amount paid to it on account of Taxes and the monies so received may be held with its own funds pending payment or application thereof as herein provided; provided that in the event that the Lender does not utilize the funds received on account of Taxes in any calendar year, such amount or amounts may be held by the Lender on account of any pre-estimate of Taxes required for the next succeeding calendar year, or at the Lender's option the Lender may repay such amount to the Borrower without any interest.

16.7. The Borrower shall in all instances be responsible for the payment of any and all penalties resulting from any arrears of Taxes or any late payment of current instalments thereof, and at no time shall such penalties be the responsibility of the Lender.

16.8. In the event the Lender does not collect payments on account of Taxes as aforesaid, the Borrower shall deliver to the Lender within thirty (30) days following the due date for each instalment of Taxes written evidence from all taxing authorities having jurisdiction to the effect that the then current instalment of Taxes and all other Taxes due in respect of the then current calendar year and any preceding calendar years have been paid in full, failing which, the Lender shall be entitled to charge a servicing fee for each written inquiry directed to such taxing authorities or the Borrower for the purpose of ascertaining the status of the Taxes together with any costs payable to such taxing authorities for such information.

17. **UTILITIES**

The Borrower covenants that it will pay all utility and fuel charges related to the Property as and when they are due and that the Borrower will not allow or cause the supply of utilities or fuel to the Property to be interrupted or discontinued and that, if the supply of fuel oil or utilities is interrupted or discontinued, the Borrower will take all steps that are necessary to ensure that the supply of utilities or fuel is restored forthwith. It is specifically agreed that the failure to pay all fuel and utility charges as and when they are due or the interruption or discontinuing of the supply of fuel or utilities to the Property shall constitute a default by the Borrower within the meaning of the Charge and in addition to all other remedies provided for herein, the principal sum of the Charge shall, at the sole option of the Lender forthwith become due and payable.

18. **INSURANCE**

The Borrower will insure and keep insured during the term of the Charge the buildings and other improvements on the Property (now or hereafter erected) on an all-risks basis in an amount of not less than the greater of the full replacement value of the buildings located thereon from time to time, or the principal money herein, with no co-insurance provisions and with the Lender's standard mortgage clause forming part of such insurance policy. The Borrower shall carry such liability, rental, loss of income, business interruption, boiler, plate glass and other insurance coverage as is required by the Lender to be placed with such insurance companies and in such amounts and in such form as may be acceptable to the Lender. All such policies shall provide for loss payable to the Lender and contain such additional clauses and provisions as the Lender may require. An original of all insurance policies and endorsements from the insurer to the effect that coverage has been bound and/or extended for a minimum period of at least one year and that all premiums with respect to such term of such coverage have been paid for in full, shall be produced to the Lender prior to any advance and at least thirty (30) days before expiration of any term of any such respective policy, failing which the Lender may provide therefore and charge the premium paid therefore and interest thereon at the aforesaid rate to the Borrower and any amounts so paid by the Lender shall be payable forthwith to the Lender and shall also be a charge upon the Property and secured by the Charge. It is further agreed that the Lender may at any time require any insurance on the said buildings to be cancelled and new insurance effected with a company to be named by it, and also may, of its own accord, effect or maintain any insurance herein provided for, and any amount paid by the Lender therefore shall be forthwith payable to it, together with interest at the rate aforesaid by the Borrower (together with any Costs of the Lender as herein set out), and shall be a charge upon the Property and secured by the Charge.

In the event that the evidence of continuation of such insurance as herein required has not been delivered to the Lender within the required time, the Lender shall be entitled to a servicing fee for each written inquiry which the Lender shall make to the insurer or the Borrower pertaining to such renewal (or resulting from the Borrower's non-performance of the within covenant). In the event that the Lender pursuant to the within provision arranges insurance coverage with respect to the Property, the Lender, in addition to the aforenoted servicing fee, shall be entitled to a further servicing fee for arranging the necessary insurance coverage.

In the event of any loss or damage, the Borrower shall forthwith notify the Lender in writing and notwithstanding any other provision to the contrary, statutory or otherwise, in the event of any monies becoming payable pursuant to any insurance policy herein required, the Lender may, at its option, require the said monies to be applied by the Borrower in making good the loss or damage in respect of which the money is received, or in the alternative, may require that any or all of the monies so received be applied in or towards satisfaction of any or all of the indebtedness hereby secured whether or not such indebtedness has become due. No damage may be repaired nor any reconstruction effected without the approval in writing of the Lender in any event.

The Borrower, upon demand, will transfer all policies of insurance provided for herein and the indemnity which may become due therefrom to the Lender. The Lender shall have a lien for the indebtedness hereby secured on all the said insurance proceeds and policies, and may elect to have these insurance monies applied as it may deem appropriate, including payment of monies secured hereby, whether due or not, but the Lender shall not be bound to accept the said monies in payment of any principal not yet due.

19. **REMITTANCE AND APPLICATION OF PAYMENTS**

All payments of principal, interest and other monies payable hereunder to the Lender shall be payable at par in lawful money of Canada at the Lender's address for service as set out in the Charge or at such other place as the Lender shall designate in writing from time to time. In the event that any of the monies secured by the Charge are forwarded to the Lender by mail, payment will not be deemed to have been made until the Lender has actually received such monies and the Borrower shall assume and be responsible for all risk of loss or delay.

Notwithstanding anything herein to the contrary, in the event of any default under the Charge, the Lender may apply any payments received in whatever order the Lender may elect as between principal, interest, realty taxes, insurance premiums, repairs, Costs and any other advances or payments made by the Lender hereunder.

20. **RECEIPT OF PAYMENT**

Any payment received after 1:00 p.m. on any date shall be deemed, for the purpose of calculation of interest to have been made and received on the next bank business day and the Lender shall be entitled to interest on the amount due it, to and including the date on which the payment is deemed by this provision to have been received.

21. **NO DEEMED RE-INVESTMENT**

Except in the case where the Charge provides for blended payments of principal and interest whether paid monthly or otherwise, the parties hereto agree that the Lender shall not be deemed to reinvest any monthly or other payments received by it hereunder.

22. **PRE-AUTHORIZED CHEQUING PLAN**

If and when required by the Lender, all payments made under the Charge by the Borrower shall be made by a pre-authorized cheque payment plan as approved by the Lender. The Lender shall not be obligated to accept any payment other than payment made by pre-authorized cheque. Failure to make all payments by pre-authorized cheque shall be an act of default within the meaning of the Charge and the Lender shall be entitled to pursue any and all of its remedies herein and/or at law as it may deem necessary at its option.

23. **POSTDATED CHEQUES**

The Borrower shall, if and when required by the Lender, deliver to the Lender upon the first advance of moneys hereunder or upon request and thereafter on each anniversary date thereof in each year for the duration of the term of the Charge, postdated cheques for the payments of principal, interest and estimated realty taxes required to be made herein during the twelve month period commencing on each such anniversary date. In the event of default by the Borrower in delivery to the Lender of the postdated cheques as herein provided, the Charge shall be deemed in default and the Lender shall be entitled to pursue any and all of its remedies herein and/or at law as it may deem necessary at its option. In addition, the Lender upon the Borrower's failure to deliver such postdated cheques as required hereunder shall be entitled to a servicing fee for each written request that it makes to the Borrower for the purpose of obtaining such postdated cheques. Any step taken by the Lender hereunder by way of a request for further postdated cheques shall be without prejudice to the Lender's rights hereunder to declare the Charge to be in default in the event that such postdated cheques are not delivered within the required time.

24. **DISHONOURED CHEQUES**

In the event that any of the Borrower's cheques are not honoured when presented for payment to the drawee, the Borrower shall pay to the Lender for each such returned cheque a servicing fee to cover the Lender's administration costs with respect to same. In the event that the said cheque which has not been honoured by the drawee is not forthwith replaced by the Borrower, the Lender shall be entitled to a further servicing fee for each written request therefore which may be necessitated by the Borrower not forthwith replacing such dishonoured cheque.

25. **FINANCIAL AND OPERATING STATEMENTS**

The Borrower covenants that, within the periods of time hereinafter specified, or within such other period(s) of time as may be specified by this Commitment, the Borrower shall deliver or cause to be delivered to the Lender the following:

25.1. within one hundred and twenty (120) days after the end of each fiscal year of operation of the Property, an annual operating statement in respect of the Property for the immediately preceding fiscal year setting forth the gross rents and other income derived from the Property, the cost and expenses of operation and maintenance of the Property and such other information and explanations in respect of the same as may be required by the Lender;

25.2. within one hundred and twenty (120) days after the end of each fiscal year of each Borrower and Covenantor which is a corporation or partnership, the annual financial statements of each such corporation or partnership for its immediately preceding fiscal year including, without limitation, the balance sheet of the corporation or partnership as at its fiscal year end with comparative figures for prior years, statements of earnings, retained earnings and changes in financial position as at the fiscal year end with comparative figures for prior fiscal years, any supporting schedules and notes thereto and such other information and explanations as may be required by the Lender; and

25.3. with respect to each Borrower and Covenantor who is an individual and within thirty (30) days after each anniversary of the date of this Commitment, an annual updated net worth statement of each such individual in such form and including such content and other information and explanations as may be required by the Lender.

All such operating and financial statements shall be prepared at the expense of the Borrower and in accordance with generally accepted accounting principles applied on a consistent basis and by a duly qualified chartered accountant or certified public accountant which is acceptable to the Lender, and shall be submitted in audited form if so required by the Lender in the event of a default occurring pursuant to the Charge, and the completeness and correctness of such statements shall be supported by an affidavit of an authorized officer of the Borrower or Covenantor, as the case may be.

The Lender reserves the right to disclose to third parties, any of the foregoing financial information or otherwise acquired in respect to the Loan as may be required in connection with the fulfillment of its rights and/or obligations under this Commitment or the Charge or to carry out its terms of to enforce its security for mortgage securitization purposes.

26. ESTOPPEL ACKNOWLEDGEMENTS

If and whenever the Lender requests an acknowledgement from the Borrower as to the statement of account with respect to the Charge or the status of the terms and conditions of the Charge, the Borrower shall execute such an acknowledgement in such form as may be required by the Lender provided that the contents of such form are correct, and the Borrower shall do so forthwith upon request and without cost to the Lender and shall return such acknowledgement duly executed within two (2) business days of such request.

27. STATEMENTS OF ACCOUNT

The Borrower shall be entitled to receive upon written request, a statement of account with respect to the Charge as of any payment date under the Charge and the Lender shall be entitled to a servicing fee for each such statement.

28. RENEWAL OR EXTENSION OF TIME; ATTENTION SUBSEQUENT INTERESTS

No renewal or extension of the term of the Charge given by the Lender to the Borrower, or anyone claiming under it, or any other dealing by the Lender with the owner of the equity of redemption of the Property, shall in any way affect or prejudice the rights of the Lender against the Borrower or any other Person liable for the payment of the monies hereby secured. The Charge may be amended, extended and/or renewed by an agreement in writing at maturity for any term with or without an increased rate of interest, or amended from time to time as to any of its terms, including, without limitation, an increase of interest rate or principal amount and notwithstanding that there may be subsequent encumbrancers, and it shall not be necessary to register any such agreement in order to retain priority for the Charge so altered over any instrument registered subsequent to the Charge. PROVIDED that nothing contained in this paragraph shall confer any right of amendment, extension or renewal upon the Borrower.

The terms of the Charge may be amended, extended and the Charge may be renewed from time to time by mutual agreement between the then current owner of the Property and the Lender and the Borrower hereby further covenants and agrees that, notwithstanding that the Borrower may have disposed of its interest in the Property, the Borrower will remain liable as a principal debtor and not as a surety for the observance of all of the terms and provisions herein and will in all matters pertaining to the Charge well and truly do, observe, fulfill and keep all of the covenants, provisos, conditions and agreements in the Charge and all amendment(s), extension(s) and renewal(s) thereof, and without limiting the foregoing, notwithstanding the amendment, extension and/or renewal of the Charge, and notwithstanding the giving of time for the payment of the Charge or the varying of the terms of the payment thereof or of the rate of interest thereon, and notwithstanding any other indulgence by the Lender to the Borrower.

The Borrower covenants and agrees with the Lender that no agreement for amendment, extension and/or renewal hereof, or for extension of the time for payment of any monies payable hereunder shall result from, or be implied from, any payment or payments of any kind whatsoever made by the Borrower to the Lender after the expiration of the original term of the Charge or of any subsequent term agreed to in writing between the Borrower and the Lender, and that no amendment, extension and/or renewal hereof or any extension of the time for payment of any monies hereunder shall result from, or be implied from, any other act, matter or thing, save only express agreement in writing between the Borrower and the then current owner of the Property.

29. EXPROPRIATION

If the Property or any part thereof which, in the reasonable opinion of the Lender is material to the viability and operations thereon shall be expropriated by any Governmental Body clothed with the powers of expropriation, the principal sum herein remaining unpaid shall at the option of the Lender forthwith become due and payable together with interest thereon at the rate provided for herein to the date of payment together with a bonus equal to the aggregate of (a) three months' interest at the said rate calculated on the amount of the principal remaining unpaid, and (b) one month's interest at the rate provided for herein calculated on the principal remaining unpaid, for each full year of the term of the Charge or any part of such year from the said date of payment to the date

the said principal sum or balance thereof remaining unpaid would otherwise under the provisions of the Charge become due and payable and in any event all the proceeds of any expropriation shall be paid to the Lender at its option in priority to the claims of any other party.

30. LETTERS OF CREDIT

The parties to the Charge hereby acknowledge and agree that, in addition to all other amounts advanced and/or secured hereby, the Charge shall stand as good and valid security with respect to any and all letters of credit, letters of guarantee or similar instruments (collectively the "Letters of Credit") issued by or on behalf of the Lender for the benefit of or on account of the Borrower and in favour of any other party as may be requested or directed by the Borrower from time to time, and that the total amount of the financial obligations under each Letter of Credit shall be deemed to have been advanced and fully secured under the Charge as of and from the date of issuance of each such Letter of Credit regardless of when the same may be called upon by the holder thereof. In the event that at any time the Lender is of the opinion, in its sole and unfettered discretion, that the Property or such part(s) thereof as remain undischarged are insufficient to secure the aggregate amount of all of the Lender's outstanding obligations under, pursuant to or in connection with such Letters of Credit from time to time outstanding, the Lender shall be entitled to retain out of any payment received under the Charge or out of the proceeds of any sale or revenue received in respect of the Property or any part(s) thereof or out of the proceeds of any amounts received by the Lender upon the enforcement of the Charge, an amount equal to the aggregate amount of all of the Lender's outstanding obligations under, pursuant to or in connection with Letters of Credit as remain from time to time outstanding without being obliged to apply any portion of such amount on account of any principal, interest or other monies otherwise outstanding and secured by the Charge; and the Lender shall be entitled to retain such amount for such period of time as any of the Letters of Credit remain outstanding and the Lender is hereby irrevocably authorized and directed to utilize the same in order to satisfy payment of any amounts called upon for payment pursuant to the Letters of Credit.

31. SALE OR CHANGE OF CONTROL

In the event of any sale, conveyance or transfer of the Property or any portion thereof, or a change in control or beneficial ownership of the Borrower or a change in the beneficial ownership of the Property or any portion thereof or a lease of the whole of the Property, all sums secured hereunder shall, at the Lender's option, become due and payable forthwith unless the prior written consent of the Lender has been obtained, which consent may be arbitrarily or unreasonably withheld. The rights of the Lender pursuant to this provision shall not be affected or limited in any way by the acceptance of payments due under the Charge from the Borrower or any Person claiming through or under it and the rights of the Lender hereunder shall continue without diminution for any reason whatsoever until such time as the Lender has consented in writing as required by this provision.

Provided further that no permitted sale or other dealing by the Borrower with the Property or any part thereof shall in any way change the liability of the Borrower or in any way alter the rights of the Lender as against the Borrower or any other Person liable for payment of the monies hereby secured.

32. NO FURTHER ENCUMBRANCES

In the event of that the Borrower enters into, creates, incurs, assumes, suffers or permits to exist any additional charge, encumbrance, pledge or other financing of the Property, or of the chattels, equipment or personal property related to the Property, all sums secured hereunder shall, at the Lender's option, become due and payable forthwith unless the prior written consent of the Lender has been obtained, which consent may be arbitrarily or unreasonably withheld.

33. EVENTS OF DEFAULT

Without limiting any of the provisions of the Charge, each of the following events shall be considered events of default hereunder upon the happening of which the whole of the principal sum outstanding and all interest accruing thereon shall immediately become due and payable at the option of the Lender exercised by notice in writing to the Borrower:

33.1 Failure by the Borrower to pay any instalment of principal, interest and/or Taxes under the Charge or under any charge or other encumbrance of the Property, on the date upon which any of the payments for same become due;

33.2 Failure by the Borrower or any Covenantor to strictly and fully observe or perform any condition, agreement, covenant or term set out in the application or Commitment for the loan secured by the Charge, the provisions of the Charge, or any other document creating a contractual relationship as between them or any of them or if it is found at any time that any representation to the Lender with respect to the loan secured by the Charge or in any way related thereto is incorrect or misleading;

33.3 Default by the Borrower in the observance or performance of any of the covenants, provisos, agreements or conditions contained in any charge or other encumbrance affecting the Property, whether or not it has priority over the Charge;

33.4 Upon the registration of any construction lien against the Property which is not discharged or vacated within a period of ten (10) days after the date of registration thereof;

33.5 In the event that any Hazardous Substance is discovered in, on or under the Property or any part thereof and the same is not completely removed therefrom to the entire satisfaction of the Lender within ten (10) days after demand therefore by the Lender;

33.6 In the event that the Property are abandoned or there is any cessation of the business activities or any material part thereof now being conducted upon the Property by the Borrower or the beneficial owner of the Property or any of their respective officers, agents, employees, tenants or invitees;

33.7 If the Borrower or any Covenantor commits an act of bankruptcy or becomes insolvent or has a receiver or receiver and manager appointed for it or over any of its assets or if any creditor takes possession of any of its assets or if any execution, distress or other like process is levied or enforced upon the Property or any part thereof or if any compromise or arrangement with creditors is made by any of them; or,

33.8 Default by the Borrower, its successors or assigns, or any of the Covenantor(s) in the observance or performance of any representation, warranty, covenant, proviso, agreement or condition contained in any charge or encumbrance or document securing, evidencing or relating to any indebtedness owing by the Borrower, its successors or assigns, to the Lender from time to time whether or not related to or affecting the within Loan and the Property or any other loan and property given as security thereforer.

34. DEFAULT

The Lender may, on default of payment or in the performance of any covenant in the Charge contained or implied by law or statute, enter on and lease the Property, or in default of payment or in default in performance of any covenant in the Charge contained or implied by law or statute for at least fifteen (15) days may, on at least thirty-five (35) days' notice sell the Property. Such notice shall be given to such Persons and in such manner and form and within such time as provided under the *Mortgages* Act (Ontario). In the event that the giving of such notice shall not be required by law or to the extent that such requirements shall not be applicable it is agreed that notice may be effectually given by leaving it with a grown-up person on the Property, if occupied, or by placing it on the Property if unoccupied, or at the option of the Lender, by mailing it in a registered letter addressed to the Borrower at the Borrower's last known address, or by publishing it once in a newspaper published in the city, county or district in which the Property are situate; and such notice shall be sufficient although not addressed to any Person or Persons by name or designation; and notwithstanding that any Person to be affected thereby may be unknown, unascertained, or under disability. If there be legal personal representatives of the Borrower on the death of the Borrower, such notice may, at the option of the Lender, be given in any of the above modes or by personal service upon such representatives.

Without prejudice to the statutory powers of the Lender under the preceding proviso, that in case default be made in the payment of the said principal or interest or any part thereof and such default continues for two months after any payment of either principal or interest falls due, the Lender may exercise the powers given under the preceding proviso with or without entry on the Property without any notice, it being understood and agreed, however, that if the giving of notice by the Lender shall be required by law then notice shall be given to such Persons and in such manner and form and within such time as so required by law. The Lender may sell the whole or any part or parts of the Property by public auction or private contract, or partly one or partly the other; and the proceeds of any sale hereunder may be applied in payment of any Costs incurred in taking, recovering or keeping possession of the Property or by reason of non-payment or procuring payments of monies secured hereby or otherwise. The Lender may sell any of the Property on such terms as to credit and otherwise as shall appear to it most advantageous and for such prices as can reasonably be obtained therefore and may make any stipulations as to title or evidence or commencement of title or otherwise which it shall deem proper; and may buy in or rescind or vary any contract for the sale of the whole or any part of the Property and resell without being answerable for loss occasioned thereby, and in the case of a sale on credit the Lender shall be bound to pay the Borrower only such monies as have been actually received from purchasers after the satisfaction of the claims of the Lender and for any of said purposes may make and execute all agreements and assurances as it shall think fit. Any purchaser or lessee shall not be bound to see to the propriety or regularity of any sale or lease or be affected by express notice that any sale or lease is improper and no want of notice or publication when required hereby shall invalidate any sale or lease hereunder and the title of a purchaser or lessee upon a sale or lease made in professed exercise of the above power shall not be liable to be impeached on the ground that no cause had arisen to authorize the exercise of such power or that such power had been improperly or irregularly exercised, or that such notice had not been given, but any Person damnified by an unauthorized, improper or irregular exercise of the power shall have its remedy against the Person exercising the power in damages only.

It is hereby agreed that the Lender may pay all premiums of insurance and all Taxes which shall from time to time fall due and be unpaid in respect of the Property, and that such payments together with all Costs which may be incurred in taking, recovering and keeping possession of the Property, and of negotiating this loan, investigating title, and registering the Charge and other necessary deeds, and generally in any other proceedings taken in connection with or to realize this security, (including legal fees, real estate commissions, appraisal costs and other Costs incurred in leasing or selling the Property or in exercising the power of entering, leasing and selling herein contained) shall be with interest at the rate aforesaid and shall be a charge upon the Property in favour of the Lender and that the Lender may pay or satisfy any lien, charge or encumbrance now existing or hereafter created or claimed upon the Property, and that any amount paid by the Lender shall be added to the monies hereby secured and shall be payable forthwith with interest at the rate herein, and in default the Charge shall immediately become due and payable at the option of the Lender and all powers in the Charge conferred shall become exercisable. In the event of the Lender paying the amount of any such encumbrance, lien or charge, taxes or rates, either out of the money advanced on the security of the Charge or otherwise, the Lender shall be entitled to all the rights, equities and securities of the Person or Persons so paid and is hereby authorized to obtain an assignment or discharge thereof, and to retain same, for whatever period the Lender shall deem it proper to do so.

Whenever a power of sale is hereby conferred upon the Lender, all provisions hereof relating to exercising such power, including, without in any way limiting the generality of the foregoing, the Persons to whom notice of exercising such power shall be given and the manner of giving such notice, shall be deemed to have been amended so as to comply with the requirements of law from time to time in force with respect to exercising such power of sale, and wherever there shall be a conflict between the provisions of the Charge relating to exercising such power of sale and the requirements of such law, the provisions of such law shall govern. Insofar as there is no such conflict, the provisions of the Charge shall remain unchanged.

The Lender may lease or sell as aforesaid without entering into possession of the Property.

The Lender may distrain for arrears of interest and the Lender may distrain for arrears of principal and arrears of Taxes in the same manner as if the same were arrears of interest.

Upon default of the payment of the interest hereby secured the principal hereby secured shall become payable at the option of the Lender, together with interest thereon.

Upon default of payment of instalments of principal promptly as the same become due, the balance of the principal and interest shall immediately become due and payable at the option of the Lender. Upon default under the Charge, the Lender shall be entitled and shall have full power to assume control of, manage, operate and carry on the business of the Borrower being conducted at or upon the Property on the date of the Charge or at any time thereafter.

Until default hereunder the Borrower shall have quiet possession of the Property.

On default the Lender shall have quiet possession of the Property.

The Lender may in writing at any time or times after default waive such default and upon such waiver the time or times for payment of the principal secured herein shall be as set out in the proviso for redemption herein. Any such waiver shall apply only to the particular default waived and shall not operate as a waiver of any other or future default. No waiver shall be effective or binding on the Lender unless made in writing.

It is further agreed that the Lender may at its discretion at any time, release any part or parts of the Property or any other security or any surety for the money hereby secured either with or without any sufficient consideration therefore, without responsibility therefore, and without thereby releasing any other part of the Property or any Person from the Charge or from any of the covenants herein contained, it being especially agreed that every part or lot into which the Property are or may hereafter be divided does and shall stand charged with all of the monies hereby secured and no Person shall have the right to require the principal secured hereunder to be apportioned; further the Lender shall not be accountable to the Borrower for the value thereof, or for any monies except those actually received by the Lender. No sale or other dealing by the Borrower with the equity of redemption in the Property or any part thereof shall in any way change the liability of the Borrower or in any way alter the rights of the Lender as against the Borrower or any other Person liable for payment of the monies hereby secured.

It is further agreed that the Lender may exercise all remedies provided for in the Charge concurrently or in such order and at such times as it may see fit and shall not be obligated to exhaust any remedy or remedies before exercising its rights under any other provisions contained in the Charge.

Without limiting any other provision of the Charge, the Borrower acknowledges and agrees that, upon the occurrence of any default under the Charge and whether or not the monies hereby secured have been fully advanced, the Lender may, at any time and from time to time as the

Lender shall determine at its sole option and discretion, advance such further sums under the Charge as are necessary to pay any arrears of Taxes, utilities or other charges capable of constituting a lien upon the Property *pari passu* with or in priority to the Charge, to pay all amounts due under any encumbrance having priority over the Charge, to pay all amounts required to discharge or vacate any construction lien registered against the Property whether or not priority is claimed over the Charge, to maintain in good standing any policies of insurance in respect of the Property, to maintain, repair, operate and/or manage the Property and any or all improvements thereon, to complete construction or renovation of any improvements on the Property, to realize upon any security held by the Lender for the loan secured by the Charge and generally to enforce all of the Lender's rights, title and interest hereunder and to protect the Property and to preserve the enforceability and priority of the Charge, and to pay any and all Costs; and all amounts advanced by the Lender for any of the purposes as aforesaid shall bear interest at the rate applicable under the Charge from the date so advanced until repaid in full and shall be secured by the Charge in the same priority as the principal amount hereof.

35. RIGHT OF LENDER TO REPAIR, ETC.

The Borrower covenants and agrees with the Lender that in the event of default in the payment of any instalment or other monies payable hereunder by the Borrower or on breach of any covenant, proviso or agreement herein contained after all or any of the monies hereby secured have been advanced, the Lender may, at such time or times as the Lender may deem necessary and without the concurrence of any Person, enter upon the Property and may make such arrangements for completing the construction of, repairing or putting in order any buildings or other improvements on the Property or for inspecting, taking care of, leasing, collecting the rents of and generally managing the Property, as the Lender may deem expedient; and all Costs including, but not limited to, allowances for the time and services of any employee of the Lender or other Person appointed for the above purposes and a servicing fee shall be forthwith payable to the Lender by the Borrower and shall be a charge upon the Property and shall bear interest at the rate applicable under the Charge until paid.

36. APPOINTMENT OF A RECEIVER

It is agreed that at any time and from time to time when there shall be default under the provisions of the Charge, the Lender may at such time and from time to time and with or without entering into possession of the Property appoint in writing a Receiver of the Property, or any part thereof and of the rents and profits thereof and with or without security, and may from time to time by similar writing remove any such Receiver and appoint another in its place and stead, and in making any such appointment or removal, the Lender shall be deemed to be acting as the agent or attorney for the Borrower. The Borrower hereby irrevocably agrees and consents to the appointment of such Receiver of the Lender's choice and without limitation whether pursuant to the Charge, the *Mortgages Act* (Ontario), the *Construction Lien Act* (Ontario), or the *Trustee Act* (Ontario), as the Lender may at its sole option require. Without limitation, the purpose of such appointment shall be the orderly management, administration and/or sale of the Property or any part thereof and the Borrower hereby consents to a court order for the appointment of such Receiver, if the Lender in its discretion chooses to obtain such order, and on such terms and for such purposes as the Lender at its sole discretion may require, including, without limitation, the power to manage, charge, pledge, lease and/or sell the Property and/or to complete or partially complete any construction thereon and to receive advances of monies pursuant to any charges, pledges and/or loans entered into by the Receiver or the Borrower, and if required by the Lender, in priority to any existing encumbrances affecting the Property, including without limitation, charges and construction lien claims.

Upon the appointment of any such Receiver from time to time the following provisions shall apply:

36.1. A Statutory Declaration made by the Lender or by any authorized representative of the Lender as to default under the provisions of the Charge shall be conclusive evidence thereof;

36.2. Every such Receiver shall be the irrevocable agent or attorney of the Borrower for the collection of all rents falling due in respect to the Property, or any part thereof, whether in respect of any tenancies created in priority to the Charge or subsequent thereto and with respect to all responsibility and liability for its acts and omissions;

36.3. The Lender may from time to time fix the remuneration of every such Receiver which shall be a charge on the Property, and may be paid out of the income therefrom or the proceeds of sale thereof;

36.4. The appointment of every such Receiver by the Lender shall not incur or create any liability on the part of the Lender to the Receiver in any respect and such appointment or anything which may be done by any such Receiver or the removal of any such Receiver or the termination of any such receivership shall not have the effect of constituting the Lender a mortgagee in possession in respect of the Property or any part thereof;

36.5. The Receiver shall have the power to lease any portion of the Property for such term and subject to such provisions as it may deem advisable or expedient and shall have the authority to execute any lease of the Property or any part thereof in the name and on behalf of the Borrower and the Borrower undertakes to ratify and confirm, and hereby ratifies and confirms, whatever acts such Receiver may do on the Property;

36.6. In all instances, the Receiver shall be acting as the attorney or agent of the Borrower;

36.7. The Receiver shall have full power to complete any unfinished construction upon the Property;

36.8. The Receiver shall have full power to manage, operate, amend, repair, alter or extend the Property or any part thereof in the name of the Borrower for the purposes of securing the payment of rental from the Property or any part thereof;

36.9. The Receiver shall have full power to assume control of, manage, operate and carry on the business of the Borrower being conducted at or upon the Property on the date of the Charge or at any time thereafter;

36.10. The Receiver shall have full power to do all acts and execute all documents which may be considered necessary or advisable in order to protect the Lender's interest in the Property including, without limiting the generality of the foregoing, increasing, extending, renewing or amending all charges, mortgages and other encumbrances which may be registered against the Property from time to time, whether or not any of the same are prior to the interest of the Lender in the Property; selling of the Property; borrowing money on the security of the Property; applying for and executing all documents in any way related to any re-zoning applications, severance of Property pursuant to the provisions of the *Planning Act* (Ontario), as amended, subdivision agreements and development agreements and agreements for the supply or maintenance of utilities or services to the Property, including grants of Property or easements or rights of way necessary or incidental to any such agreements; executing all grants, documents, instruments and agreements related to compliance with the requirements of any competent Governmental Body, whether pursuant to a written agreement or otherwise and applying for and executing all documents in any way related to registration of the Property as a condominium; completing any application for first registration pursuant to the provisions of the *Land Titles Act* (Ontario) or pursuant to the *Certification of Titles Act* (Ontario); and for all and every of the purposes aforesaid the Borrower does hereby give and grant unto the Receiver full and absolute power and authority to do and execute all acts, deeds, matters and things necessary to be done as aforesaid in and about the Property, and to commence, institute and prosecute all actions, suits and other proceedings which may be necessary or expedient in and about the Property, as fully and effectually to all intents and purposes as the Borrower itself could do if personally present and acting therein.

36.11. The Receiver shall not be liable to the Borrower to account for monies or damages other than cash received by it in respect of the Property or any part thereof and out of such cash so received every such Receiver shall pay in the following order:

i) its remuneration;

ii) all payments made or incurred by it in the exercise of its powers hereunder;

iii) any payment of interest, principal and other money which may from time to time be or become charged upon the Property in priority to the monies owing hereunder and all taxes, insurance premiums and every other proper expenditure made or incurred by it in respect of the Property or any part thereof.

The Borrower hereby irrevocably appoints the Lender as its attorney to execute such consent or consents and all such documents as may be required in the sole discretion of the Lender and/or its solicitors so as to give effect to the foregoing provisions and the signature of such attorney shall be valid and binding on the Borrower and all parties dealing with the Borrower, the Lender and/or the Receiver and/or with respect to the Property in the same manner as if such documentation was duly executed by the Borrower itself.

37. LENDER NOT TO BE DEEMED LENDER IN POSSESSION

It is agreed that the Lender in exercising any of the rights given to the Lender under the Charge shall be deemed not to be a Lender or mortgagee in possession.

38. ENFORCEMENT OF ADDITIONAL SECURITY

In the event that, in addition to the Property charged hereby, the Lender holds further security on account of the monies secured hereby, it is agreed that no single or partial exercise of any of the Lender's powers hereunder or under any of such security, shall preclude other and further exercise of any other right, power or remedy pursuant to any of such security. The Lender shall at all times

have the right to proceed against all, any, or any portion of such security in such order and in such manner as it shall in its sole discretion deem fit, without waiving any rights which the Lender may have with respect to any and all of such security, and the exercise of any such powers or remedies from time to time shall in no way affect the liability of the Borrower under the remaining security, provided however, that upon payment of the full indebtedness secured hereunder the rights of the Lender with respect to any and all such security shall be at an end.

39. TAKING OF JUDGMENT NOT A MERGER

The taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenants or affect the Lender's right to interest at the rate and times herein provided; and further that the said judgment shall provide that interest thereon shall be computed at the same rate and in the same manner as herein provided until the said judgment shall have been fully paid and satisfied.

40. BANKRUPTCY AND INSOLVENCY ACT

The Borrower hereby acknowledges and agrees that the security held by the Lender is not all or substantially all of the inventory, accounts receivable or other property of the Borrower acquired for or used in relation to any business carried on by the Borrower. The Borrower hereby further acknowledges and agrees that notwithstanding any act of the Lender by way of appointment of any Person or Persons for the purposes of taking possession of the Property as agent on behalf of the Borrower or otherwise or by taking possession of the Property itself pursuant to any rights that the Lender may have with respect thereto shall not constitute the Lender or any such Person, a receiver within the meaning of subsection 243(2) of the *Bankruptcy and Insolvency Act* (Canada) (the "BIA"), and that any and all requirements of Part XI of the BIA as it may pertain to obligations of receivers shall not be applicable to the Lender with respect to the transaction pursuant to which the Charge has been given or with respect to enforcement of the Charge or any other security held by the Lender. The Borrower hereby acknowledges and agrees that no action shall lie against the Lender as a receiver and manager or otherwise for any loss or damage arising from non-compliance with any obligations of a receiver pursuant to the provisions of the BIA whether or not the Lender had reasonable grounds to believe that the Borrower was not insolvent.

The Borrower further acknowledges and agrees that any and all Costs as may be incurred from time to time by the Lender in order to effect compliance or avoid any adverse ramifications of the BIA shall be entirely for the account of the Borrower. The Lender shall be entitled to incur any such Costs, including any costs of its personnel in administering any requirements of the BIA and to add the same to the indebtedness owing pursuant hereto and the same shall be secured hereunder and under any and all security held by the Lender for the indebtedness owing to the Lender in the same manner and in the same priority as the principal secured hereunder.

41. PERMISSIBLE INTEREST RATE

It is not the intention of the Charge to violate any provisions of the *Interest Act* (Canada), the *Criminal Code* (Canada) (the "Code") or any other statute dealing with permitted rates of interest in the Province of Ontario or in Canada. Notwithstanding any provisions set out herein, in no event shall the "interest" (as that term is defined in the Code) exceed the "criminal rate" (as defined therein) of interest on the "credit advanced" (as defined therein) lawfully permitted under the said legislation. In the event that it is determined at any time that, by virtue of this Commitment, the Charge or any other document given as security for the herein contemplated loan, the payments of interest required to be made by the Borrower exceed the "criminal rate", then the Borrower shall only be required to pay interest at the highest rate permitted by law. Nothing herein shall invalidate any requirements for payment pursuant to this Commitment, the Charge or such other security documents, and any excess interest paid to the Lender shall be refunded to the Borrower and the provisions of the Charge shall in all respects be deemed to be amended accordingly.

42. INDEMNIFICATION

The Borrower and Covenantor hereby agree to indemnify and save harmless the Lender, its officers, agents, trustees, employees, contractors, licensees or invitees from and against any and all losses, damages, injuries, expenses, suits, actions, claims and demands of every nature and kind whatsoever and howsoever arising out of the provisions of this Commitment and the Security, any letters of credit or letters of guarantee issued, sale or lease of the Property and/or the use or occupation of the Property including, without limitation, those arising from the right to enter the Property from time to time and to carry out the various tests, inspections, management and other activities permitted by the Commitment and the Security.

In addition to any liability imposed on the Borrower and Covenantor under any instrument evidencing or securing the Loan indebtedness, the Borrower and Covenantor shall be jointly and severally liable for any and all of the Lender's costs, expenses, damages or liabilities, including, without limitation, all reasonable legal fees, directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal or presence on, under

or about the Property of any hazardous or noxious substances. The Borrower and the Covenantor(s) shall be further bound by the representations, warranties and indemnity set out herein.

The representations, warranties, covenants and agreements of the Borrower and Covenantor set forth in this Section:

42.1. are separate and distinct obligations from the Borrower's and Covenantor's other obligations;

42.2. survive the payment and satisfaction of their other obligations and the discharge of the Security from time to time taken as security therefore;

42.3. are not discharged or satisfied by foreclosure of the charges created by any of the Security; and

42.4. shall continue in effect after any transfer of the Property including, without limitation, transfers pursuant to foreclosure proceedings (whether judicial or non-judicial) or by any transfer in lieu of foreclosure.

43. NON-MERGER

The Borrower's obligations as contained in this Commitment shall survive the execution and registration of the mortgage and other security documentation and all advances of funds under the mortgage, and the Borrower agrees that those obligations shall not be deemed to be merged in the execution and registration of the mortgage and other security. All terms and conditions of the mortgage and other security documentation shall be deemed to be incorporated in and form part of the Commitment, except to the extent provided for herein. In the event of conflict, the terms of this Commitment shall prevail.

44. NOTICES

All notices or other communications to be given pursuant to or in connection with the Charge shall be in writing, signed by the party giving such notice or by its solicitors, and shall be personally delivered or sent by registered mail or facsimile transmission to the party or parties intended at its or their respective addresses for service as set out in the Charge. The date of receipt of such notice or demand, if served personally or by facsimile, shall be deemed to be the date of the delivery thereof, or if mailed as aforesaid, the date of mailing thereof. For the purposes hereof, personal service on the Borrower or any Covenantor shall be effectively given by delivery to any officer, director or employee of such Borrower or Covenantor. Any party may from time to time by notice given as provided herein change its address for the purpose of this provision.

45. PRIORITY OVER VENDOR'S LIEN

The Borrower hereby acknowledges that the Charge is intended to have priority over any vendor's lien, whether in favour of the Borrower or otherwise, and the Borrower covenants that it has done no act to give priority over the Charge to any vendor's lien, nor is it aware of any circumstances that could create a vendor's lien. Further, the Borrower covenants to do all acts and execute or cause to be executed all documents required to give the Charge priority over any vendor's lien and to give effect to the intent of this clause.

46. CONSENT OF LENDER

Whenever the Borrower is required by the Charge to obtain the consent or approval of the Lender, it is agreed that, subject to any other specific provision contained in the Charge to the contrary, the Lender may give or withhold its consent or approval for any reason that it may see fit in its sole and absolute discretion, and the Lender shall not be liable to the Borrower in damages or otherwise for its failure or refusal to give or withhold such consent or approval, and all costs of obtaining such approval shall be for the account of the Borrower.

47. DISCHARGE

The Lender shall have a reasonable period of time after payment in full of the monies hereby secured within which to prepare and execute a discharge of the Charge; and interest as aforesaid shall continue to run and accrue until actual payment in full has been received by the Lender; and all legal and other expenses for the preparation and execution of such discharge shall, together with the Lender's fee for providing same, be borne by the Borrower. The discharge shall be prepared and executed by such Persons as are specifically authorized by the Lender and the Lender shall not be obligated to execute any discharge other than a discharge which has been so authorized.

If the Charge, this Commitment or any other document provides for the giving of partial discharges of the Charge, it is agreed that, notwithstanding any other provision to the contrary, the Borrower shall not be entitled to request or receive any such partial discharge if and for so long as the Borrower is in default under the Charge, this Commitment or such other document.

48. FAMILY LAW ACT

The Borrower shall forthwith after any change or happening affecting any of the following, namely, (a) the spousal status of the Borrower, (b) the qualification of the Property or any part thereof as a matrimonial home within the meaning of Part II of the *Family Act* (Ontario), (c) the ownership of the equity of redemption in the Property or any part thereof, and (d) a shareholder of the Borrower obtaining rights to occupy the Property or any part thereof by virtue of shareholding within the meaning of Section 18(2) of the *Family Law Act* (Ontario), the Borrower will advise the Lender accordingly and furnish the Lender with full particulars thereof, the intention being that the Lender shall be kept fully informed of the names and addresses of the owner or owners for the time being of the said equity of redemption and of any spouse who is not an owner but who has a right of possession in the Property by virtue of Section 19 of the *Family Law Act* (Ontario). In furtherance of such intention, the Borrower covenants and agrees to furnish the Lender with such evidence in connection with any of (a), (b), (c) and (d) above as the Lender may from time to time request.

49. INDEPENDENT LEGAL ADVICE

The Borrower and each Covenantor acknowledge that they have full knowledge of the purpose and essence of this transaction, and that they have been appropriately and independently legally advised in that regard or have been advised of their right to independent legal advice and have declined same. Such parties agree to provide to the Lender a Certificate of Independent Legal Advice as and when same may be required, regarding their knowledge and understanding of this transaction.

50. SERVICING FEES

All servicing fees as herein provided are intended to and shall be in an amount sufficient in the sole opinion of the Lender to compensate the Lender for its administrative costs and shall not be deemed a penalty. The amount of such servicing fees if not paid shall be added to the principal amount secured hereunder, and shall bear interest at the rate aforesaid and the Lender shall have the same rights with respect to collection of same as it does with respect to collection of principal and interest hereunder or at law.

51. CONSENT TO REGISTRATION OF A PLAN OF CONDOMINIUM

Provided the Borrower is not in default of the provisions of this Commitment or any loan documents and provided that there are no costs or financial obligations to the Lender, the Lender hereby agrees that it will consent to the Borrower registering a plan of condominium and declaration (the "Condominium") pursuant to the *Condominium Act, 1998* (Ontario), as amended, with respect to the Property or any part thereof provided that the Lender has received and approved the draft plan of condominium and the declaration and provided further that the Borrower, if requested by the Lender, shall deliver to the Lender prior to the registration of the Condominium, a further charge of the Property (the "Replacement Charge") on the same terms and conditions save and except for the new legal description of the Property. It is agreed that the Replacement Charge shall secure the same indebtedness as the original Charge. In connection with the provision of the Replacement Charge, the Borrower shall also provide a replacement general assignment of rents (the "Replacement Assignment of Rents"), and together with and each Covenantor, where applicable, shall provide a re-confirmation of all existing security and such further and other documentation as may then be required by the Lender's solicitors.

Provided further that the original Charge and the original assignment of rents and leases relating thereto shall not be released or discharged from the Property (save and except for any partial discharge provisions provided for therein) until the expiration of ninety (90) days immediately following the later of the registration of the Condominium and the registration of the Replacement Charge and Replacement Assignment of Rents. Provided further that at the time of the request for a discharge of the Charge and the original assignment of rents and leases the Borrower shall not be in default of the provisions of the Charge, the Replacement Charge and/or this Commitment, failing which the Lender shall not be obliged to discharge same.

52. CONDOMINIUM PROVISIONS

If all or any part of the Property is or becomes a condominium unit pursuant to the provisions of the *Condominium Act, 1998* (Ontario) (the "Act"), the following covenants and provisions shall apply in addition to all other covenants and provisions set forth in the Charge:

52.1. For the purposes of all parts of the Property comprising one or more such condominium units, all references in the Charge to the Property shall include the Borrower's appurtenant undivided interest in the common elements and other assets of the Condominium Corporation;

52.2. The Borrower shall at all times comply with the Act and shall forward to the Lender proof of such compliance as the Lender may request from time to time including, without limitation, status certificates issued by the Condominium Corporation; and if the Borrower fails to so

comply in any respect, the Lender may do so at its option and all Costs incurred by the Lender in connection therewith shall be secured by the Charge and payable by the Borrower to the Lender forthwith upon demand, together with interest thereon as herein provided;

52.3. The Borrower shall pay, when due, all monies payable by the Borrower or with respect to the Property in accordance with the provisions of the Act and the declaration, by-laws and rules of the Condominium Corporation, including all required contributions to common expenses and any special levies, charges and assessments, and shall provide proof of such payment to the Lender upon request; and if the Borrower fails to make any such payment, the Lender may do so at its option and all amounts so paid by the Lender shall be secured by the Charge and shall be payable by the Borrower to the Lender forthwith upon demand, together with interest thereon as herein provided;

52.4. The Borrower hereby irrevocably appoints, authorizes and empowers the Lender to exercise the rights of the Borrower to vote or to consent as an owner within the meaning of the Act with respect to all matters relating to the affairs of the Condominium Corporation, or to abstain from doing so, provided that:

51.4.1. the Lender may at any time and from time to time give notice in writing to the Borrower and to the Condominium Corporation that the Lender does not intend to exercise such right to vote or to consent, in which case the Borrower may exercise its right to vote or to consent for so long as such notice remains effective or until such notice is revoked by the Lender; and any such notice may be for an indeterminate period of time, a limited period of time or for a specific meeting or matter;

51.4.2. the Lender shall not be under any obligation to vote or to consent or to protect the interests of the Borrower; and,

51.4.3. the exercise by the Lender of its right to vote or to consent or to abstain from doing so shall not constitute the Lender as a mortgagee or Lender in possession and shall not give rise to any liability on the part of the Lender;

52.5. The Borrower shall forward to the Lender by delivery or by prepaid registered mail copies of every notice, assessment, claim, demand, by-law, rule, request for consent and other communication relating to all or any part of the Property or the common elements or affairs of the Condominium Corporation on or before the date which is the earlier of:

51.5.1. fourteen (14) days after receipt of the same by the Borrower;

51.5.2. seven (7) days prior to the date set for any meeting of the Condominium Corporation or any committee thereof;

51.5.3. seven (7) days prior to the due date of any claim or demand for payment; and,

51.5.4. within twenty-four (24) hours after becoming aware of any information concerning termination of any insurance policy, insurance trust agreement or management agreement relating to the Condominium Corporation or any of its assets;

52.6. The Borrower hereby authorizes and directs the Condominium Corporation to permit the Lender to inspect the records of the Condominium Corporation at any reasonable time;

52.7. In addition to and notwithstanding any other provisions of the Charge, the outstanding principal amount and all accrued interest and other charges secured by the Charge shall, at the Lender's option, become immediately due and payable without notice or demand if any of the following events or circumstances shall occur and be continuing:

51.7.1. the government of the Condominium Corporation or the government of the Property by the Condominium Corporation is terminated;

51.7.2. a vote of the Condominium Corporation authorizes the sale of all or substantially all of its property or assets or all or any part of its common elements or all or any part of the Property, or any part of the same is expropriated;

51.7.3. the Condominium Corporation fails to comply with any provision of the Act or its declaration or any of its by-laws and rules;

51.7.4. the Condominium Corporation fails to insure its assets, including the Property, in accordance with the Act and the declaration and by-laws of the Condominium Corporation, or any insurer thereof cancels or threatens cancellation of any existing obligation to insure the same.

53. **ASSIGNMENT OF RENTS**

As additional primary security for the monies secured by the Charge, the Borrower transfers and assigns to the Lender all rents, income, profits, rights and other benefits (collectively the "Rents") now or hereafter due or arising pursuant to all present and future oral or written leases, agreements to lease, tenancies or other agreements for the use or occupancy of the whole or any part of the Property and all extensions and renewals thereof (collectively the "Leases" and individually a "Lease") granted to any and all tenants, licensees and other occupiers thereof (collectively the "Tenants" and individually a "Tenant"); and in furtherance thereof, the Borrower covenants and agrees as follows:

53.1. the Leases and details thereof heretofore provided by the Borrower to the Lender are in full force and effect and have not been assigned or pledged to any other party except as disclosed by registered title to the Property;

53.2. except with the prior written consent of the Lender, the Borrower shall not amend, terminate, release or accept a surrender of any Lease or any guarantee thereof or waive, release, reduce, discount, discharge or otherwise compromise any Rents payable thereunder, and any attempt to do any of the foregoing without such prior written consent shall be null and void as against the Lender;

53.3. except for the last month's rent and any security deposit, the Borrower has not received and shall not accept payment of any Rents more than thirty (30) days in advance;

53.4. except with the prior written consent of the Lender, the Borrower shall not further assign the Rents, the Leases or any interest therein or consent or agree to any postponement or subordination of the same in favour of any mortgage or other encumbrance now or hereafter affecting the Property;

53.5. except with the prior written consent of the Lender, the Borrower shall not consent to or permit any assignment or subletting of the interest of any Tenant under any Lease or exercise any right of election thereunder which would in any way lessen the liability of any Tenant or shorten the stated term of any Lease;

53.6. the Borrower shall diligently and in good faith observe and perform all of the landlord's covenants contained in the Leases and shall likewise require that the Tenants and other parties to the Leases fully observe and perform the covenants and agreements imposed upon them by the Leases, failing which, the Lender may, at its option, require the same at the expense and in the name of the Borrower, and all such expenses incurred by the Lender shall be a charge upon the Property and be paid by the Borrower to the Lender forthwith upon demand;

53.7. the Borrower shall give prompt written notice to the Lender of default by any Tenant and any notice of default received from any Tenant, including a copy of such notice;

53.8. all of the Leases are and shall be bona fide and at rental rates and upon terms which are commercially reasonable and consistent with comparable space in the municipality within which the Property are situate;

53.9. the Borrower shall, at its own expense, execute and deliver to the Lender all such further assurance and assignments with respect to the Rents and the Leases and enforce and do all other acts with respect to the Leases as may be required from time to time by the Lender.

Upon default hereunder by the Borrower, the Lender shall be entitled, as agent and attorney of the Borrower, to collect, sue for, waive or compromise the Rents and to enforce performance of the Leases or amend, terminate, release or accept a surrender of the same as the Lender may determine in its sole discretion;

The Lender shall not be obligated to perform or discharge any obligation or liability under the Leases, or under or by reason of the assignment herein contained, and the Borrower agrees to save and hold harmless the Lender of and from any and all actions, proceedings, claims, demands, liability, damages, Costs or expenses which the Lender may incur under or by reason of the Leases or the assignment herein contained; and all Costs incurred by the Lender in connection therewith shall be a charge upon the Property and be paid by the Borrower to the Lender forthwith upon demand.

In the event that the Lender collects any Rents by reason of the Borrower's default, the Lender shall be entitled to payment from the same of an administration fee equal to 5.0% of the gross amount of Rents collected, and the Borrower acknowledges and agrees that such administration fee is just and equitable having regard to the circumstances.

54. MATERIAL ADVERSE CHANGES

In the event that at any time while any indebtedness remains outstanding pursuant to the provisions of the Charge, the Lender discovers a discrepancy or inaccuracy in any written information, statements or representations made or furnished to the Lender by or on behalf of the Borrower or any Covenantor concerning the Property or the financial condition and responsibility of the Borrower or any Covenantor in the event of any material adverse change in the value of the Property or the financial status of the Borrower or any Covenantor or any lessee on which the Lender relied upon in making any advances hereunder, which material change, discrepancy or inaccuracy cannot be rectified by the Borrower or such Covenantor (if applicable) within thirty (30) days after written notification thereof by the Lender to the Borrower or such Covenantor, the Lender shall be entitled to decline to advance any further funds pursuant hereto and/or to declare any and all amounts advanced pursuant hereto together with interest thereon to be forthwith due and payable.

55. PROFESSIONAL MANAGEMENT

The Property must at all times be professionally managed by property managers acceptable to the Lender, failing which the Lender reserves the right, in its sole discretion, to appoint new or other property managers at the sole expense of the Borrower. A change in the property managers for Property shall require the prior written consent of the Lender. No management fee shall be payable to the manager of the Property, other than to a professional arm's-length manager approved by the Lender, without the prior written consent of the Lender. No management fees in excess of market fees for similar properties in the general location of the Property shall be payable without the prior written consent of the Lender.

56. PREPAYMENTS

The Borrower, when not in default, shall have the right to prepay, at any time or times, all or any part of the amount outstanding under the Charge without penalty and/or bonus.

57. PARTIAL DISCHARGES

The Borrower may partially discharge the loan if the Borrower elects to pay part of the loan, the proceeds received by the Lender shall be applied first to the portion of the principal earning interest only, and then to pay principal on the portion of the loan where the Lender has elected to receive distributions. In which case the Lender will no longer be entitled to receive the distributions from those units, however, the Lender will still be entitled to receive its proportionate share of the profit.

58. ADDITIONAL FEES

All advances, in addition to legal fees and disbursements of the Lender's solicitors, shall be subject to an administrative processing fee of Five Hundred Dollars ($500.00) for each advance made under the Loan in favour of the Lender. The Borrower shall be permitted one advance per month. If the Lender, in its sole discretion, agrees to make an advance in an amount not less than the minimum amount per advance as specified in this Commitment, an additional processing fee of Five Hundred Dollars ($500.00) for any such advance so made shall be payable by the Borrower.

59. ABANDONMENT

In the event of abandonment of the Project for a period in excess of fifteen (15) consecutive days, the Lender shall be entitled, after giving the Borrower written notice of any abandonment and provided the Borrower fails to rectify same within ten (10) days after such notice, has been given, to forthwith withdraw and cancel its obligations hereunder and/or decline to advance further funds as the case may be and in addition to declare any funds advanced to forthwith become due and payable plus interest all at the Lender's option.

60. INTERPRETATION

It is hereby agreed that, in construing the Charge, everything herein contained shall extend to and bind and may be enforced or applied by the respective heirs, personal representatives, successors and assigns, as the case may be, of each and every of the parties hereto, and where any of the Borrower, the Lender and any Covenantor is more than one Person, their respective covenants shall be deemed to be joint and several, and the provisions of the Charge shall be read and construed with all changes of gender and number as required by the context.

61. HEADINGS

The headings with respect to the various paragraphs of the Charge are intended to be for identification of the various provisions of the Charge only and the wording of such headings is not intended to have any legal effect.

62. INVALIDITY

If any of the covenants or conditions in the Charge inclusive of all schedules forming a part hereof shall be void for any reason it shall be severed from the remainder of the provisions hereof and the remaining provisions shall remain in full force and effect notwithstanding such severance.

63. COUNTERPARTS

The Charge may be executed and/or registered in counterparts, each of which, so executed, and/or registered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument, and notwithstanding their date of execution shall be deemed to bear date as of the date above written.

Properties

PIN	21411 - 0162 LT
Description	PT BLK B PL 216E TORONTO AS IN ES61538; S/T & T/W ES61538; CITY OF TORONTO
Address	263 ADELAIDE ST W TORONTO

Applicant(s)

The assignor(s) hereby assigns their interest in the rents of the above described land. The notice is based on or affects a valid and existing estate, right, interest or equity in land.

Name	ADELAIDE STREET LOFTS INC.
Address for Service	263 Adelaide Street West, Suite 350, Toronto, Ontario M5H 1Y2

I, Jim Neilas (President), have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Party To(s) *Capacity* *Share*

Name	HI-RISE CAPITAL LTD.
Address for Service	200 Adelaide Street West, Suite 401, Toronto, Ontario M5H 1W7

Statements

The applicant applies for the entry of a notice of general assignment of rents.

This notice may be deleted by the Land Registrar when the registered instrument, AT3522463 registered on 2014/02/18 to which this notice relates is deleted

Schedule: See Schedules

Signed By

Barry Mitchell Polisuk	1 Adelaide Street E., Suite 801 Toronto M5C 2V9	acting for Applicant(s)	Signed	2014 02 18

Tel 416-869-1234

Fax 416-869-0547

I have the authority to sign and register the document on behalf of all parties to the document.

Barry Mitchell Polisuk	1 Adelaide Street E., Suite 801 Toronto M5C 2V9	acting for Party To(s)	Signed	2014 02 18

Tel 416-869-1234

Fax 416-869-0547

I have the authority to sign and register the document on behalf of all parties to the document.

Submitted By

GARFINKLE, BIDERMAN LLP	1 Adelaide Street E., Suite 801 Toronto M5C 2V9	2014 02 18

Tel 416-869-1234

Fax 416-869-0547

Fees/Taxes/Payment

Statutory Registration Fee	$60.00
Total Paid	$60.00

File Number

Applicant Client File Number : 9230-002

GENERAL ASSIGNMENT

THIS AGREEMENT made as of the 5th day of February, 2014.

BETWEEN:

ADELAIDE STREET LOFTS INC.

(hereinafter called the "Assignor"),

OF THE FIRST PART,

- and -

HI-RISE CAPITAL LTD.

(hereinafter called the "Assignee"),

OF THE SECOND PART.

WHEREAS:

A. Adelaide Street Lofts Inc. is the registered and beneficial owner of the lands described as Part Block B, Plan 216E, Toronto as in ES61538. City of Toronto, and municipally known as: 263 Adelaide Street West, Toronto, Ontario (the "Lands");

B. Pursuant to the Mortgage, the Assignor mortgaged and charged in favour of the Assignee all of its right, title and interest in and to the Project as security, inter alia, for the due payment of all principal, interest and other monies payable under the Mortgage;

C. As additional security for the Assignor's covenants and obligations as set out in the Mortgage and set out in all other agreements, documents, instruments, undertakings and commitments entered into between the Assignor and the Assignee, made by the Assignor in favour of the Assignee or assigned by the Assignor to the Assignee pursuant to the Mortgage, the Assignor agreed to assign to the Assignee the Rents and the Leases, together with all benefits, powers and advantages of the Assignor to be derived therefrom.

NOW THEREFORE THIS ASSIGNMENT WITNESSES that in consideration of the sum of Ten Dollars ($10.00) paid by the Assignee to the Assignor (the receipt and sufficiency of which are hereby acknowledged) the parties covenant and agree with each other as follows:

1. **Recitals Correct:** The Assignor confirms the validity and truth of the above-noted recitals, which have the same force and effect as if repeated herein at length.

2. **Definitions:** In this Agreement the following capitalized terms have the respective meanings set out below:

   (a) **Agreement**, **this Agreement**, **the Agreement**, **hereto**, **hereof**, **hereby**, **hereunder** and similar expressions mean or refer to this entire agreement as amended from time to time and any agreement or instrument supplemental or ancillary hereto or in implementation hereof;

   (b) **Building** means any construction, erection or structure located on, placed upon or erected in, under or on the Lands, any additions, alterations, expansions, improvements and replacements thereof and includes, without limitation, all equipment, chattels and fixtures which may be owned by the Assignor and may now or hereafter be located in the Building or in any additions, alterations, expansions, improvements and replacements of the foregoing;

   (c) **Default** has the meaning ascribed thereto in Section 8 hereof;

   (d) **Dispute** has the meaning ascribed thereto in Sub-section 8(b) hereof;

(e) **Indebtedness** has the meaning ascribed thereto in Section 3 hereof;

(f) **Lands** means the lands so defined in the recitals contained herein;

(g) **Leases** means any and all present and future leases or subleases, offers to lease or sublease, letters of intent to lease or sublease and all other agreements to lease or sublease including, without limitation, all other occupancy agreements relating to the whole or any part of parts of the Project made by the Assignor or any predecessor in title of the Assignor, as landlord, and all present and future licences or concessions whereby the Assignor gives any person the right (other than an easement or a right in the nature of an easement) to use or occupy the whole or any part or parts of the Project, in each case for the time being in effect, and all revisions, alterations, modifications, amendments, changes, extensions, renewals, replacements or substitutions thereof or therefor which may hereafter be effected or entered into and **Lease** means any of the Leases;

(h) **Mortgage** means that certain mortgage or charge of land made by the Assignor wherein the Assignor did grant and mortgage unto the Assignee the Lands and which mortgage or charge was registered on title to the Lands on the same (or nearly the same) date as this General Assignment, as same may be supplemented, amended or modified from time to time;

(i) **Interest Rate** means the rate of interest specified in the Mortgage;

(j) **Project** means the Lands and the Building;

(k) **Rents** means all present and future income, rents, issues, profits and any other monies including rental insurance proceeds and expropriation awards to be derived from, reserved or payable under the Leases; and

(l) **Tenant** means any person who is hereafter a party to a Lease or has any right of use or occupancy to all or any part of the Project, whether as a tenant, licensee or concessionaire under a Lease, and **Tenants** means all such persons.

3. **Assignment:** As continuing and additional security for:

(a) the repayment to the Assignee of all amounts (the Indebtedness) owing from time to time by the Assignor to the Assignee under, in connection with or arising out of or from any agreement entered into by the Assignor with the Assignee with respect to the Project, made by the Assignor in favour of the Assignee with respect to the Project or assigned by the Assignor to the Assignee including, without limitation, the Mortgage; and

(b) the due performance by the Assignor of the terms, agreements, provisions, conditions, obligations, and covenants on the part of the Assignor to be performed under the Mortgage and all other agreements, documents, instruments, undertakings and commitments entered into between the Assignor and the Assignee with respect to the Project, made by the Assignor in favour of the Assignee with respect to the Project or assigned by the Assignor to the Assignee;

the Assignor, upon and subject to the terms of this Agreement, assigns, sets over and transfers to the Assignee all its rights, benefits, title and interest under, in and to, and all claims of whatsoever nature or kind which the Assignor now has or may hereafter have under or pursuant to:

(a) the Leases;

(b) the Rents;

(c) the benefit of any and all present and future guarantees of and indemnities with respect to any Lease and the performance of any or all of the obligations of any Tenant thereunder; and

(d) all books, accounts, invoices, letters, papers, drawings and documents in any way evidencing or relating to the Leases, the Rents and any guarantees or indemnities of any Lease;

all of the foregoing described in Subsection 3(a) to and including 3(d) together with all proceeds therefrom are hereinafter collectively called the Premises Hereby Assigned.

4. **Acknowledgement of Assignor:** The Assignor acknowledges that neither this Agreement nor the assignment constituted hereby:

(a) shall in any way lessen or relieve the Assignor from:

(i) the obligation of the Assignor to observe, satisfy and perform each and every term, agreement, provisions, conditions, obligation and covenant set out in any of the Premises Hereby Assigned; and

(ii) any liability of the Assignor to each Tenant, the Assignee or to any other person, firm or corporation;

(b) imposes any obligation on the Assignee to assume any liability or obligations under, or to observe, perform or satisfy any term, agreement, provision, condition, obligation or covenant set out in, any of the Premises Hereby Assigned;

(c) imposes any liability on the Assignee for any act or omission on its part in connection with this Agreement or the assignment constituted hereby including, without limitation, the fulfillment or non-fulfillment by the Assignee of the obligations, covenants and agreements of the Assignor set out in the Premises Hereby Assigned;

(d) obligates the Assignee to give notice of this Agreement and the assignment constituted hereby to any Tenant or any other person, firm or corporation whatsoever; provided that the Assignee may, in its absolute discretion, give any such notice at any time or from time to time without further notice to the Assignor; and

(e) authorizes the Assignor to dispose of or transfer by way of conveyance, mortgage, lease, assignment or otherwise, the Project, the Assignor's interest in the Project or any part of either, except as specifically approved herein.

5. **Positive Covenants of Assignor**: The Assignor covenants and agrees:

(a) to observe, perform and satisfy each and every term, agreement, provision, condition, obligation and covenant set out in, or required to be observed, performed and satisfied by the Assignor under or pursuant to, the Premises Hereby Assigned;

(b) to deliver to the Assignee a copy of all written notices, demands or requests given under, in connection with or pursuant to the Premises Hereby Assigned that are:

(i) received by the Assignor, forthwith upon receipt of same; and

(ii) delivered by the Assignor, contemporaneously with the delivery of same;

(c) to indemnify and save the Assignee harmless from and against any liabilities, losses, costs, charges, expenses (including legal fees and disbursements on a solicitor and his own client basis) damages, claims, demands actions, suits, proceedings, judgments and forfeitures suffered or incurred by the Assignee in connection with, on account of or by reason of:

(i) the assignment to the Assignee of the Premises Hereby Assigned;

(ii) any alleged obligation of the Assignee to observe, perform or satisfy any term, agreement, provision, condition, obligation or covenant set out in any of the Premises Hereby Assigned;

(iii) any failure of the Assignor to observe, perform or satisfy its covenants, agreements, warranties and representations set out in this Agreement including without limitation, subparagraphs 5(a), (b), (d), (e), (f), (g), (h), (i), (j) and (k) hereof; and

(iv) the enforcement of the assignment constituted by this Agreement;

(d) to notify the Assignee in writing as soon as the Assignor becomes aware of any Dispute, claim or litigation in respect of any of the Premises Hereby Assigned or of any breach or default by the Assignor or any other person, firm or corporation in the observance, performance or satisfaction of any of the terms, agreements, provisions, conditions, obligations or covenants set out in the Premises Hereby Assigned;

(e) to obtain such consents from third parties including, without limitation, Tenants as may be necessary or required by the Assignee in connection with the assignment constituted by this Agreement;

(f) upon the written request of the Assignee, to execute and deliver to the Assignee specific assignments of any of the Leases duly acknowledged by the respective Tenants under such Leases, which specific assignments shall be in form and substance acceptable to the Assignee;

(g) to use its best efforts to ensure that each Lease shall be entered into by it in good faith, at arm's length, at a rent and otherwise upon such terms and conditions as are reasonable and proper in the circumstances and are upon prevailing market terms and conditions;

(h) to deliver to the Assignee, at the request of the Assignee from time to time, a notarial copy of any Lease and of any guarantee or indemnity in respect of the obligations of any Tenant under a Lease;

(i) to execute and deliver to each Tenant and the Assignee, at the request of the Assignee from time to time, a written notice to each Tenant directing such Tenants to pay the Rents and all other sums owing under the Leases to the Assignee;

(j) that each of the warranties and representations of the Assignor set out in this Agreement is now and will continue to be true and correct until the Indebtedness is paid in full; and

(k) that it will pay or cause to be paid to the Assignee or pursuant to the Assignee's direction, upon demand, all costs, charges, fees and expenses including, without limitation, legal fees and disbursements on a solicitor and his own client basis, court costs and any other out-of-pocket costs and expenses incurred by the Assignee in connection with or arising out of or with respect to this Agreement including, without limitation, any one or more of the following:

(i) the negotiation, preparation, execution and enforcement of this Agreement and all documents, agreements and other writings incidental or ancillary hereto;

(ii) any act done or taken pursuant to this Agreement including, without limitation, recovering the Indebtedness and registering, discharging and reassigning this Agreement;

(iii) the preservation, protection, enforcement or realization of the Premises Hereby Assigned including, without limitation, retaking, holding, repairing, preparing for disposition and disposing of the Premises Hereby Assigned;

(iv) any action or other proceeding instituted by the Assignor, the Assignee or any other person, firm or corporation in connection with or in any way relating to:

(1) this Agreement or any part hereof;

(2) the preservation, protection, enforcement or realization of the Premises Hereby Assigned; or

(3) the recovery of the Indebtedness; and

(v) all amounts incurred or paid by the Assignor pursuant to paragraph 8 hereof;

together with interest thereon from the date of the incurring of such expenses at the then Interest Rate calculated monthly and adjusted daily, whether any action or any judicial proceedings to enforce the aforesaid payments has been taken or not, the amount owing to the Assignee under this subparagraph shall be added to the Indebtedness.

6. **Negative Covenants of Assignor:** The Assignor covenants and agrees that it shall not:

(a) sell, assign, transfer, dispose of, collect, receive or accept any of the Premises Hereby Assigned including, without limitation, the Rents except as may be permitted in this Agreement, nor do, nor permit to be done, any act or thing whereby the Assignee may be prevented or hindered from so doing;

(b) pledge, charge, mortgage, hypothecate, create a security interest in or otherwise encumber the Premises Hereby Assigned or any part thereof in any manner whatsoever other than to the Assignee;

(c) cancel, terminate or forfeit or take any action to cancel, terminate or forfeit or suffer or permit anything allowing any Tenant under any Lease to cancel, terminate, forfeit any of the Premises Hereby Assigned, or accept or agree to the surrender of, or take any action or suffer or permit anything allowing the surrender of any of the Premises Hereby Assigned;

(d) waive, amend, modify or vary any of the terms, agreements, provisions, conditions, obligations and covenants set out in the Premises Hereby Assigned, or otherwise agree or consent to any waiver, amendment, modification or variation of any of them, whether by way of collateral agreement or otherwise; or

(e) waive or agree to waive any failure of any party to any of the Premises Hereby Assigned including, without limitation, any Tenants, to observe, perform or satisfy any of the terms, agreements, provisions, conditions, obligations or covenants set out in any of the Premises Hereby Assigned;

however, the Assignor may do those matters referred to in Subsections 6(c), (d) and (e) hereof, if:

(f) the Tenant has been declared or adjudged bankrupt; or

(g) the action taken is in accordance with good business practice, on an arm's length basis and in good faith and the action is one which a prudent owner of property similar to the Project would take, considering all the relevant circumstances including, without limitation, the then current leasing practices and market conditions.

7. **Representations and Warranties of Assignor:** The Assignor represents and warrants to the Assignee that:

(a) each of the Premises Hereby Assigned including, without limitation, each of the Leases in effect as of the date hereof, is valid and subsisting, is in full force and effect, unamended, in good standing and there are no defaults thereunder;

(b) the Assignor has good, valid and legal right to absolutely assign and transfer to the Assignee the Premises Hereby Assigned, free and clear of all assignments, mortgages, charges, pledges, security interest and other encumbrances other than those in favour of the Assignee;

(c) the Assignor has taken all necessary action, corporate or otherwise, to authorize the execution and delivery of this Agreement and the performance of its obligations set out in this Agreement and in each of the Leases;

(d) the execution, delivery and performance of this Agreement and the assignment constituted hereby will not conflict with, be in or contribute to a contravention, breach or default under the Assignor's constating documents, by-laws, resolutions or the provisions of any indenture, instrument, agreement or undertaking to which the Assignor is a party or by which it is bound, or under any valid regulation, order, writ or decree of any court, tribunal, arbitration panel or governmental authority;

(e) this Agreement has been duly executed and when delivered, will be in full force and effect and constitutes a legal, valid and binding obligation of the Assignor, enforceable in accordance with its terms;

(f) there is no pending or threatened litigation, action, claim or fact known to the Assignor and not disclosed to the Assignee in writing which adversely affect or could adversely affect any of the Premises Hereby Assigned or the rights of the Assignor or any other party thereunder or the rights of the Assignee under this Agreement;

(g) none of the Premises Hereby Assigned in existence on the date hereof is incapable of assignment to the Assignee in accordance with the provisions of this Agreement, nor is any of the Premises Hereby Assigned incapable of further assignment by the Assignee or by any receiver or receiver and manager, nor is the consent of any third party required for any assignment set out in this Agreement or in connection with any further assignment by the Assignee; and

(h) no Rents, payments, proceeds, receipts or other distributions due or to become due on any date subsequent to the date of this Agreement have been collected in advance of the time when the same become due under the terms of any of the Premises Hereby Assigned.

8. **Enforcement Upon Default:** Without limiting in any manner whatsoever the Assignee's rights, remedies, and recourses pursuant to this Agreement, by operation of law or otherwise, if the Assignor has defaulted in the performance, fulfillment or satisfaction of any of the terms, agreements, provisions, conditions, obligations or covenants set out in this Agreement, the Mortgage or any other agreement, document, instrument, commitment or undertaking entered into between the Assignor and the Assignee, made by the Assignor in favour of the Assignee or assigned by the Assignor to the Assignee or if the Assignor is otherwise in breach of or in default (hereinafter collectively called a Default) under this Agreement, the Mortgage or any other agreement, document, instrument, commitment or undertaking entered into between the Assignor and the Assignee, made by the Assignor in favour of the Assignee or assigned by the Assignor to the Assignee, then the Assignee and any receiver or any receiver and manager appointed by the Assignee, may from time to time and at any time, in its own name or in the name of the Assignor and without notice to the Assignor, do any one or more of the following:

(a) observe, perform or satisfy any term, agreement, provision, condition, obligation or covenant which, pursuant to any of the Premises Hereby Assigned, could or should be observed, performed or satisfied by the Assignor;

(b) exercise any of the rights, powers, authority and discretion which, pursuant to any of the Premises Hereby Assigned, by operation of law or otherwise, could be exercised, observed, performed or satisfied by the Assignor including, without limitation, amending and renewing the Leases and otherwise dealing with the Tenants and others and participating in all settlement negotiations and arbitration proceedings resulting from a dispute (the Dispute) arising out of, in connection with or pursuant to any of the Premises Hereby Assigned; and

(c) collect any Rents, proceeds, receipts or income arising from or out of the Premises Hereby Assigned including, without limitation, the institution of proceedings, whether in the name of the Assignor or the Assignee or both, for the collection of same.

The Assignor further acknowledges and agrees that all costs, charges and expenses incurred by the Assignee in connection with doing anything permitted in this paragraph 8 including, without limitation, legal fees and disbursements on a solicitor and his own client basis, shall be forthwith paid by the Assignor to the Assignee.

9. **Assignee Not Liable:** The Assignee shall not be bound to exercise any of the rights afforded to it hereunder nor to collect, dispose of, realize, preserve or enforce any of the Premises Hereby Assigned. The Assignee shall not be liable or responsible to the Assignor or any other person for the fulfillment or non-fulfillment of this Agreement or the terms, obligations, covenants or agreements set out in this Agreement or for any loss or damage incurred or suffered by the Assignor or any other person, firm or corporation as a result of:

(a) any delay by, or any failure of, the Assignee to:

(i) exercise any of the rights afforded to it under this Agreement; or

(ii) collect, dispose of, realize, preserve or enforce any of the Premises Hereby Assigned; or

(b) the negligence (but not the wilful misconduct) of any officer, servant, agent, counsel or other attorney or substitute employed by the Assignee in the exercise of the rights afforded to the Assignee hereunder, or in the collection disposition, realization, preservation or enforcement of the Premises Hereby Assigned.

10. **Application of Funds:** Any amount received by the Assignee arising out of or from the collection, disposition, realization or enforcement of any of the Premises Hereby Assigned, after all costs, charges and expenses incurred by the Assignee in connection therewith have been deducted therefrom, shall be applied in reduction of the Indebtedness. Notwithstanding the generality of the foregoing, the Assignee shall be entitled to apply all or any part of such amounts received by it on account of such part or parts of the Indebtedness, in such manner and at such times or from time to time, as the Assignee deems best and the Assignee may at any time and from time to time change any such application.

11. **Further Assurances:** The Assignor covenants and agrees to execute all such further assignments and other documents and to do all such further acts and things including, without limitation, obtaining any consent which are required by the Assignee, from time to time, to more effectively assign, set over and transfer the Premises Hereby Assigned to the Assignee including, without limitation, execute and deliver one or more specific assignments of the Assignor's rights, benefits, title and interest in any of the agreements, documents, commitments and other writings that constitute the Premises Hereby Assigned in form, substance and execution satisfactory to the Assignee, to perfect and keep perfected the security interest constituted hereby and to assist in the collection, disposition, realization or enforcement thereof, and the Assignee is hereby irrevocably constituted the true and lawful attorney of the Assignor, with full power of substitution, to execute in the name of the Assignor any assignment or other document for such purposes.

12. **Information:** The Assignor covenants and agrees that from time to time forthwith upon the request of the Assignee it shall furnish to the Assignee in writing all information requested by the Assignee relating to the Premises Hereby Assigned.

13. **Payment of Rent Under Leases:** Until a Default occurs the Assignor shall have the authority:

(a) to collect any Rents and other moneys properly payable or arising out of or from the Premises Hereby Assigned; and

(b) subject to Section 6 hereof, to exercise in good faith all of the benefits, advantages and powers as landlord under the Premises Hereby Assigned;

and upon the occurrence of a Default such authority shall immediately cease without further notice and thereafter any monies received by the Assignor arising out of or from any of the Premises Hereby Assigned shall be received and held in trust for the Assignee and forthwith remitted to the Assignee. The Assignee may, at any time or times, by notice to any Tenant, direct such Tenant to pay Rent and other moneys to the Assignee and such notice shall be good and sufficient authority for any Tenant so doing. Any payment of Rents and other moneys by a Tenant to the Assignee shall not constitute a default under such Tenant's Lease. The receipt by the Assignee of Rent or other moneys from a Tenant shall constitute and be deemed receipt thereof by the Assignor.

14. **No Novation:** This assignment and transfer to the Assignee of the Premises Hereby Assigned:

(a) is continuing security granted to the Assignee without novation or impairment of any other existing or future security held by the Assignee in order to secure payment to the Assignee of the Indebtedness and the due performance of the Assignor's obligation's under the Mortgage and all other agreements, documents, instruments, undertakings and commitments entered into between the Assignor and the Assignee, made by the Assignor in favour of the Assignee or assigned by the Assignor to the Assignee relating to the Project;

(b) is in addition to and not in substitution for any other security now or hereafter granted to or held by the Assignee in connection with the Indebtedness; and

(c) shall remain in full force and effect without regard to and shall not be affected or impaired by:

(i) any amendment or modification of or addition or supplement to the Mortgage or any other security or securities (the Additional Securities) now or hereafter held by or on behalf of the Assignee in connection with the Indebtedness or any part thereof;

(ii) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Agreement, the Mortgage or the Additional Securities;

(iii) any waiver, consent, extension, indulgence or other action, inaction or omission under or in respect of this Agreement, the Mortgage or the Additional Securities;

(iv) any default by the Assignor under, or any invalidity or unenforceability of, or any limitation on the liability of the Assignor or on the method or terms of payment under, or any irregularity or other defect in, the Mortgage or the Additional Security;

(v) any merger, consolidation or amalgamation of the Assignor into or with any other company or corporation; or

(vi) any insolvency, bankruptcy, liquidation, reorganization, arrangement, composition, winding-up, dissolution or similar proceeding involving or affecting the Assignor.

15. **Re-assignment:** Upon the Indebtedness being paid in full, the Assignee shall, within a reasonable time following its receipt of a written request from the Assignor and at the sole cost and expense of the Assignor, reassign the Premises Hereby Assigned to the Assignor including, without limitation, all of the Assignee's rights, benefits, title and interest in and to the Premises Hereby Assigned.

16. **Enurement:** This Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties hereto.

17. **Notices**: Any notice, demand, request, consent, agreement or approval which may or is required to be given pursuant to this Agreement shall be in writing and shall be sufficiently given or made if served personally upon the party for whom it is intended, or (except in the case of an actual or pending disruption of postal service) mailed by registered mail:

(a) if to the Assignor, addressed to it at:

Adelaide Street Lofts Inc.
263 Adelaide Street West, Suite 350
Toronto, Ontario M5H 1Y2

Attention: Jim Neilas

(b) if to the Assignee, addressed to it at:

Hi-Reise Capital Ltd.
200 Adelaide Street West, Suite 401
Toronto, Ontario M5H 1W7

Attention: Jim Neilas

Any of the parties hereto may, from time to time, change its address or stipulate another address from the address described above in the manner provided in this paragraph. The date of receipt of any such notice, demand, request, consent, agreement or approval, if served personally, shall be deemed to be the date of delivery thereof, or if mailed as aforesaid, the fourth business day following the date of mailing. For the purposes hereof, personal service on the Assignor shall be effectively given by delivery to an officer, director or employee of the Assignor.

18. **Waiver:** No consent or waiver, express or implied, by the Assignee to or of any breach or default by the Assignor in the performance of its obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance by the Assignor of its obligations hereunder. Failure on the part of the Assignee to complain of any act or failure to act of the Assignor or to declare the Assignor in default, irrespective of how long such failure continues, shall not constitute a waiver by the Assignee of its rights hereunder.

19. **Amendments:** This Agreement may not be modified or amended except with the written consent of the Assignee and the Assignor.

20. **Entire Agreement:** This Agreement constitutes the entire agreement between the Assignee and the Assignor pertaining to the assignment of the Premises Hereby Assigned and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, relating thereto.

21. **Assignment:** The Assignee may assign, transfer, negotiate, pledge or otherwise hypothecate this Agreement, any of the Premises Hereby Assigned, any of its rights hereunder or any part thereof and all rights and remedies of the Assignee in connection with

the interest so assigned shall be enforceable against the Assignor as the same would have been by the Assignee but for such assignment.

22. **No Agency, Joint Venture or Partnership:** The Assignee is not the agent, representative, partner of or joint-venturer with the Assignor, and the Assignor is not the agent, representative, partner of or joint-venturer with the Assignee, and this Agreement shall not be construed to make the Assignee liable to any person or persons for goods or services furnished to, on behalf of or for the benefit of the Assignor nor for debts, liability or claims accruing therefrom against the Assignor.

23. **Rights, Powers and Remedies:** Each right, power and remedy of the Assignee provided for herein or available at law or in equity or in any other agreement shall be separate and in addition to every other such right, power and remedy. Any one or more and/or any combination of such rights, remedies and powers may be exercised by the Assignee from time to time and no such exercise shall exhaust the rights, remedies or powers of the Assignee or preclude the Assignee from exercising any one or more of such rights, remedies and powers or any combination thereof from time to time thereafter or simultaneously.

24. **Survival:** All covenants, undertakings, agreements, representations and warranties made by the Assignor in this Agreement and any instruments delivered pursuant to or in connection herewith, shall survive the execution and delivery of this Agreement and any advances made by the Assignee to the Assignor, and shall continue in full force and effect until the Indebtedness is paid in full. All representations and warranties made by the Assignor shall be deemed to have been relied upon by the Assignee.

25. **Severability:** Any term, condition or provision of this Agreement which is or is deemed to be void, prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be severable herefrom, be ineffective to the extent of such avoidance, prohibition or unenforceability without invalidating the remaining terms, conditions, and provisions hereof and any such avoidance, prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such term, condition or provision in any other jurisdiction.

26. **Governing Law:** This Agreement, and the interpretation, construction, application and enforcement of this Agreement, shall be governed by and construed, in all respects, exclusively in accordance with the laws of the Province of Ontario.

27. **Headings:** The insertion in this Agreement of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement.

28. **Number and Gender:** All nouns and personal pronouns relating thereto shall be read and construed as the number and gender may require and the verb shall be read and construed as agreeing with the noun and pronoun.

29. **Registrations:** Neither the preparation, execution nor any registrations or filings with respect hereto, shall bind the Assignee to make an advance under the Mortgage.

30. **Receipt of Copy:** The Assignor acknowledges receipt of a copy of this Agreement.

Properties

PIN	21411 - 0162 LT	*Interest/Estate*	Fee Simple
Description	PT BLK B PL 216E TORONTO AS IN ES61538; S/T & T/W ES61538; CITY OF TORONTO		
Address	263 ADELAIDE ST W TORONTO		

Chargor(s)

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

Name	ADELAIDE STREET LOFTS INC.
Address for Service	263 Adelaide Street West, Suite 350, Toronto, Ontario M5H 1Y2

I, Jim Neilas (President), have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Chargee(s) *Capacity* *Share*

Name	HI-RISE CAPITAL LTD.	Trustee
Address for Service	200 Adelaide Street West, Suite 401, Toronto, Ontario M5H 1W7	

Statements

Schedule: See Schedules

Provisions

Principal	$ 40,000,000.00	*Currency*	CDN
Calculation Period			
Balance Due Date	2019/03/01		
Interest Rate	18% per annum		
Payments			
Interest Adjustment Date	2013 03 01		
Payment Date	1st day of each and every month		
First Payment Date	2014 04 01		
Last Payment Date	2019 03 01		
Standard Charge Terms	200033		
Insurance Amount	full insurable value		
Guarantor			

Signed By

Barry Mitchell Polisuk	1 Adelaide Street E., Suite 801 Toronto M5C 2V9	acting for Chargor(s)	Signed	2014 02 18

Tel 416-869-1234

Fax 416-869-0547

I have the authority to sign and register the document on behalf of the Chargor(s).

Submitted By

GARFINKLE, BIDERMAN LLP

1 Adelaide Street E., Suite 801
Toronto
M5C 2V9

2014 02 18

Tel 416-869-1234
Fax 416-869-0547

Fees/Taxes/Payment

Statutory Registration Fee	$60.00
Total Paid	$60.00

File Number

Chargor Client File Number : 9230-002



Narrative Appraisal

263 Adelaide Street West

Toronto, Ontario

April 2015

PREPARED BY:
Matthew Bruchkowsky, AACI, P. App.
Senior Director
Valuation & Advisory Services

PREPARED FOR:
John Neilas
Neilas Inc.

One Queen Street East
Suite 2200
Toronto, Ontario M5C 2Z2
www.colliers.com

Phone: 416.777-2200
Fax: 416.643.3470

(TOR-15-286)

April 20, 2015

Neilas Inc.
263 Adelaide Street West, Suite 503
Toronto, Ontario M5 H 1Y2

Attention: John Neilas

Dear Mr. Neilas:

RE: FULL NARRATIVE APPRAISAL OF DEVELOPMENT SITE LOCATED AT 263 ADELAIDE STREET WEST, TORONTO, ONTARIO

In accordance with your request, we have inspected the property described above and have carried out a Narrative Appraisal in order to estimate the current market value of the Subject, as at the effective date of the valuation.

Based on our analysis, the market value of the Subject property, subject to the Extraordinary Assumptions on page 3, and the Contingent and Limiting Conditions listed in Appendix A, and as at April 15, 2015, is estimated to be;

FORTY ONE MILLION DOLLARS
$41,000,000

The value estimates are based on an exposure time of one to three months, which is assumed to precede the valuation date. This report describes the methods and approaches to value in support of the final conclusion and contains the pertinent data gathered in our investigation of the market.

Yours very truly,
COLLIERS INTERNATIONAL REALTY ADVISORS INC.

Matthew Bruchkowsky, AACI, P. App.
Senior Director
Valuation & Advisory Services, Toronto

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Executive Summary

263 ADELAIDE STREET WEST
TORONTO, ONTARIO

Date of Appraisal	• April 15, 2015
Property Type	• Current Use – Mixed use heritage building • Proposed Use – Mixed-use Development
Rights Appraised	• Fee Simple Interest
Purpose and Function	• The purpose is to estimate the current market value of the Subject as a redevelopment site. • The function of the report is to estimate the market value of the property for internal purposes.
Registered Owner	• Adelaide Street Lofts Inc.
Legal Description	• PT BLK B PL 216E TORONTO AS IN ES61538; S/T & T/W ES61538; CITY OF TORONTO
Assessment Roll Number	• 1904062280002000000
PIN Numbers	• 21411-0162

Property Description

The Subject consists of a rectangular shaped site with frontage on the south side of Adelaide Street West, just east of John Street in Downtown Toronto. At the date of inspection, the Subject was improved with heritage listed mixed use building.

Site Area	• 0.35 acres or 15,430 square feet (Source: Client)
Frontage	• Approximately 129 feet on the south side of Adelaide Street West
Configuration	• Rectangular
Services	• Full municipal services available.

Land Use Controls

Official Plan	• Toronto Official Plan, as amended, designates the property as a Regeneration Area.

	• The Subject falls within the King-Spadina North Secondary Plan.
Land Use Classification	• The zoning by-law designates the Subject as being RA, which permits residential and commercial uses. The site requires rezoning to permit the proposed development.
Compliance	• As presently configured and used, the proposed development requires a rezoning application to permit the proposed density and height.
Highest and Best Use	• Development of the existing land uses for high density mixed use in compliance with the prevailing land use controls.

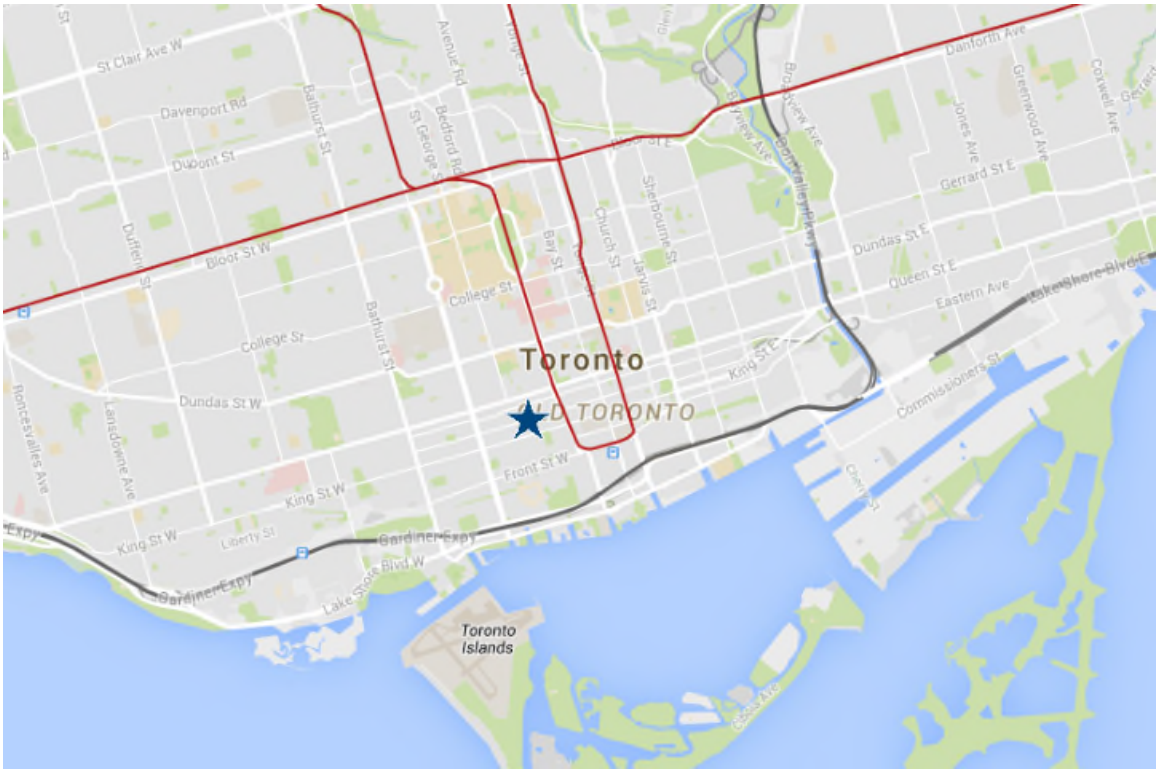
Direct Comparison Approach

Site Area	• 15,430 square feet or 0.35 acres
Proposed Gross Floor Area	• 409,774 square feet (Client)
Estimated Land Value	• 409,774 square feet x $100/sq. ft. buildable = $41,000,000

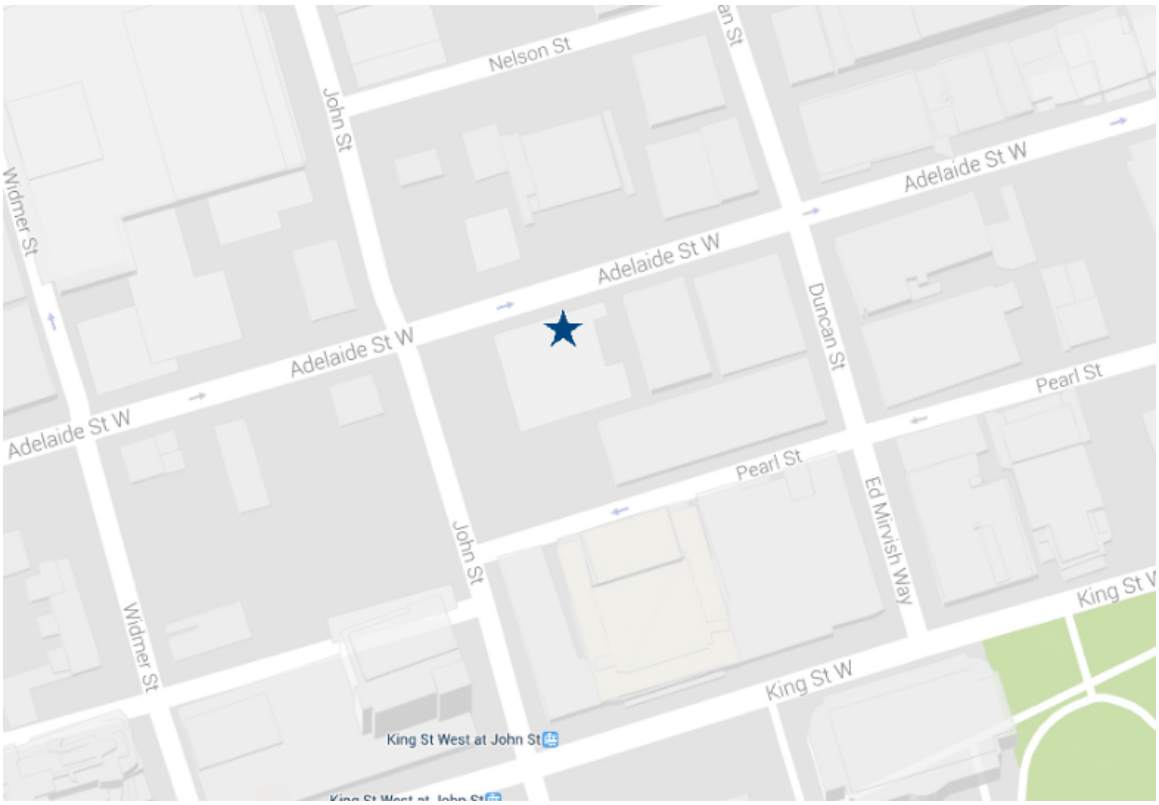
Final Value Conclusion

Effective Date	• April 15, 2015
Value Estimate	• $41,000,000
Exposure Time	• One to three months

Regional Map



Location Map



Photographs of Subject Property



VIEW OF THE SUBJECT PROPERTY



VIEW OF THE SUBJECT PROPERTY



VIEW EAST ALONG ADELAIDE STREET WEST



VIEW WEST ALONG ADELAIDE STREET WEST

Terms of Reference

Purpose and Function of Report

The **purpose** is to estimate the Subject's current market value as a redevelopment site. The **function** is for internal purposes. **John Neilas of Neilas Inc.** has requested this report. This report has been prepared only for the party named above and only the specific use stated.

Property Rights

The property rights appraised are those of Fee Simple Interest.

Effective Date

The effective date of this valuation is April 15, 2015.

Inspection Date

Matthew Bruchkowsky, AACI conducted an exterior inspection of the Subject property on April 15, 2015.

Market Value Definition

For the purposes of this valuation, market value is defined as:

> *"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of the specific date and the passing of title from seller to buyer under conditions whereby:*
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised, and acting in what they consider to be in their best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in Canadian Dollars or in financial arrangements comparable thereto; and
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."
>
> *(Source: The Appraisal Institute of Canada "Canadian Uniform Standards of Professional Appraisal Practice". 2012.*

Exposure Time

An estimate of market value is related to the concept of reasonable exposure time. Exposure time is the property's estimated marketing time prior to a hypothetical sale at market value on the effective date of the appraisal. Reasonable exposure time is a necessary element of a market value definition but is not a prediction of a specific date of sale.

Exposure time is also a product of the function of the real property in question. The Subject is a downtown redevelopment site that is proposed for development with a high density mixed-use building. The downtown market is easily accessed from the Subject via public transit operated by the TTC and there are significant amenities in the area available to prospective residents.

Ongoing discussions with agents active within the real estate market have indicated that properties such as the Subject typically require a marketing period of one to three months, depending on a number of factors including location, condition and motivation of the purchaser/vendor. Therefore, it is concluded that for the Subject property to sell at the market value estimated herein as of the effective date of this report, an exposure period of approximately one to three months would be required.

Scope of the Valuation

This is a ***Narrative Appraisal Report*** and complies with the reporting requirements set forth under the Canadian Uniform Standards of the Appraisal Institute of Canada. As such, all relevant material is provided in this report including the discussion of appropriate data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Additional supporting documentation concerning the data, reasoning, and analyses are retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein.

Market information reviewed is available from publicly available sources including economic reports, Statistics Canada, the municipal economic development office, etc.

Market information was obtained from Colliers Research, commercially available information databases (RealNet, Geowarehouse and Marsh Report) and local real estate professionals knowledgeable about the local market.

During the course of preparing this valuation, the following was completed:

- An inspection of the property and the surrounding area.
- A review of available data regarding the local market.

- Verification of current land use and zoning regulations via discussions with the City of Toronto planning department.
- Review of the proposed development material provided by Neilas Inc.
- A review of sales and listing data on comparable properties.
- An examination of market conditions and analysis of their potential effects on the property.
- A review of the local competitive market.
- Interviews with market participants.
- An analysis of the highest and best use of the property.

Contingent and Limiting Conditions

This report is subject to the Contingent and Limiting Conditions set forth within the Addenda to this appraisal in addition to any specific assumptions that may be stated in the body of the report. **These conditions are critical to the value stated herein and should be thoroughly read and understood before any reliance on this report is considered**.

Extraordinary Assumptions

An Extraordinary Assumption is an assumption, which if not true, could alter the appraiser's opinions and conclusions. They are required when a Hypothetical Condition is necessary due to circumstances that are not self-evident regarding the appraised property. Hypothetical Conditions include retrospective appraisals, significant renovations to the improvements, completion of proposed improvements, etc.

It is an Extraordinary Assumption of this report that the Subject can be rezoned to permit a 409,774 square feet development.

Extraordinary Limiting Conditions

An Extraordinary Limiting Condition refers to a necessary modification or exclusion of an Appraisal Institute Standard Rule. Such special circumstances include the inability to complete a property inspection, the purposeful exclusion of a relevant valuation technique, etc.

No Extraordinary Limiting Conditions were invoked within this report.

Property Data

Municipal Address

263 Adelaide Street West, Toronto, Ontario

Legal Description

PT BLK B PL 216E TORONTO AS IN ES61538; S/T & T/W ES61538; CITY OF TORONTO

Ownership and History

Current Ownership

The Subject last transferred on June 24, 2011 for a consideration of $16,500,000 in what is believed to be an arm's length transaction. The property is currently registered to Adelaide Street Lofts Inc.

Current Contracts

As of the effective date, the Subject site is not the object of an agreement of purchase and sale.

Encumbrances

We are not aware of any easements or rights of way that adversely affect the market value of the Subject property. For greater certainty a legal opinion should be solicited for a full explanation of the effects of these encumbrances. Additionally, the property has been valued as if it were free and clear of any financing.

Assessment and Realty Tax Data

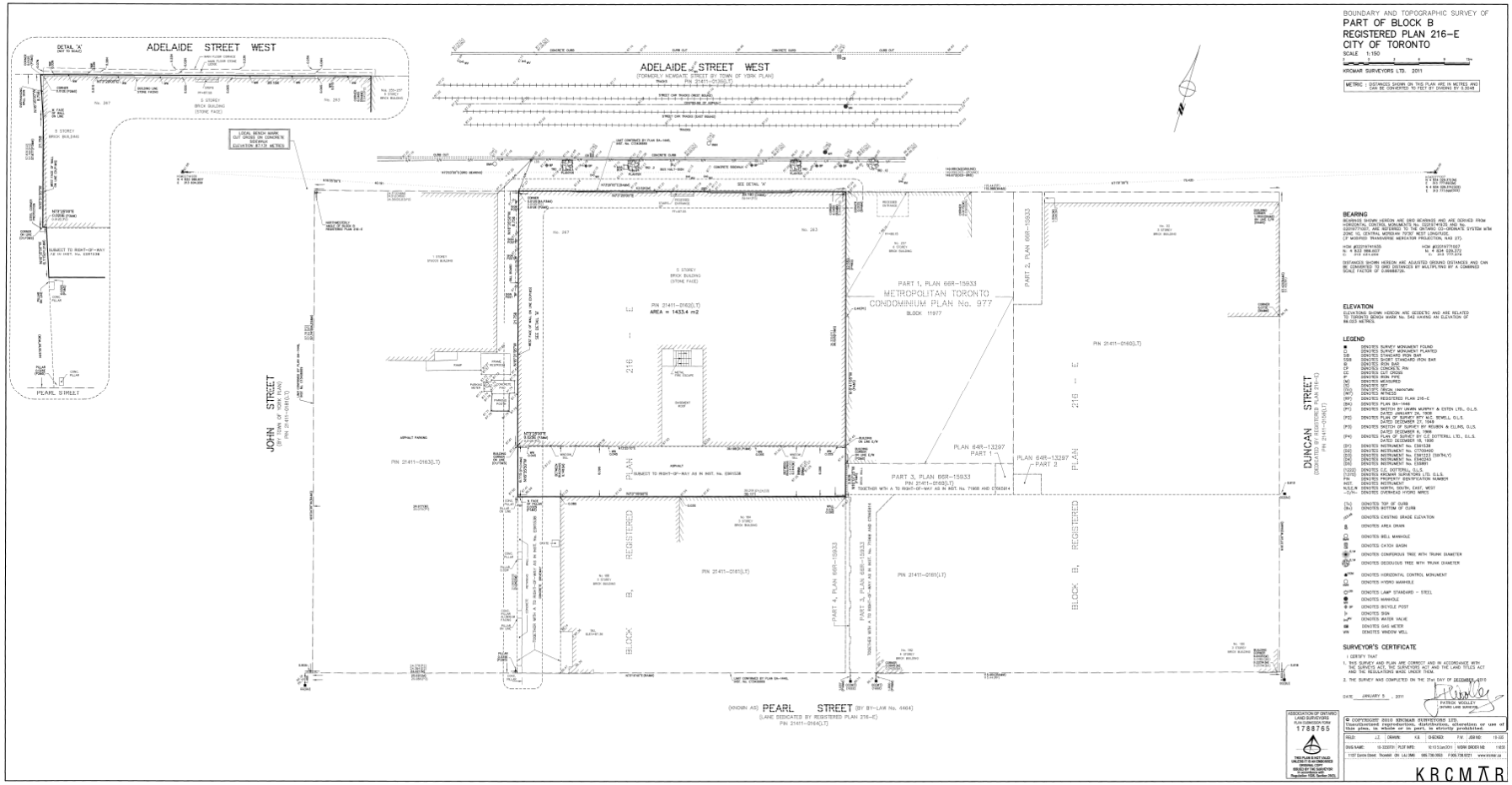
Roll No.	1904062280002000000
2015 Phased-In Assessment	$17,452,000
Total per SF of land	$1,131

It is reasonably expected that upon development the Subject will be reassessed and taxed accordingly.

Site Description

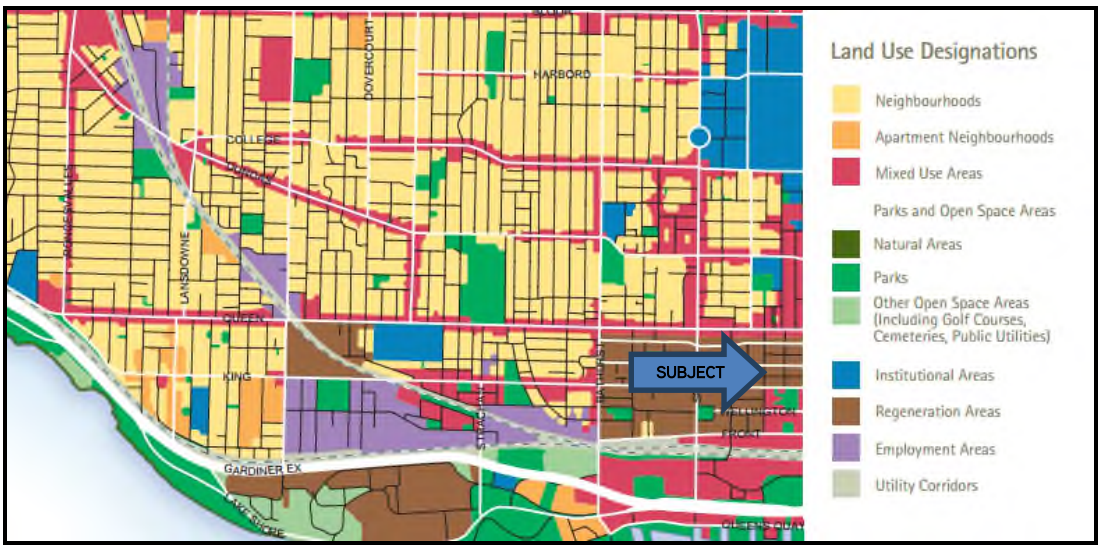
Area	• 0.35 acres or 15,340 square feet (Source: Client)
Frontage	• Approximately 129 feet onto the south side of Adelaide Street West.
Configuration	• Rectangular
Topography	• The site appears to be at grade with the surrounding properties.
Services	• Full municipal services available at street frontage.
Access	• The Subject is accessed via Adelaide Street West.
Title Instruments	• For the purposes of this analysis, the instruments registered against the title(s) to the property are assumed not to have a significant effect on the property's marketability or its market value. For greater certainty a legal opinion should be solicited for a full explanation of the effects of any existing encumbrances. • For the purposes of this analysis, we assume the title is marketable without any encumbrances.
Soil Conditions	• We have not undertaken a detailed soil analysis, and as we are not qualified to comment on soil conditions, we have assumed that there are no contaminants affecting the site. However, a full environmental assessment would be required for certainty and any cost of remedy should be deducted from the reported value herein. The sub-soil is assumed to be similar to other lands in the area and suitable in drainage qualities and load bearing capacity to support future development.
Conclusion	• The Subject is well located within an area of Toronto that has experienced a significant increase in density over the last few years. The surrounding land uses have transitioned from low density commercial uses to high density residential and mixed uses. In addition, the Subject is in downtown Toronto with its associated amenities, which are easily accessed via bus and streetcar service, operated by the TTC.

Site Survey


BOUNDARY AND TOPOGRAPHIC SURVEY OF
PART OF BLOCK B
REGISTERED PLAN 216-E
CITY OF TORONTO
SCALE 1:150
KRCMAR SURVEYORS LTD. 2011
ADELAIDE STREET WEST
(FORMERLY RICHMOND STREET BY TOWN OF YORK PLAN)
DETAIL 'A'
PEARL STREET
JOHN STREET
DUNCAN STREET
(KNOWN AS) PEARL STREET (BY-LAW No. 4464)
(LANE DEDICATED BY REGISTERED PLAN 216-E)
PART 1, PLAN 66R-15933
METROPOLITAN TORONTO
CONDOMINIUM PLAN No. 977
BLOCK 11977
PIN 21411-0160(LT)
AREA = 1433.4 m2
PART 2, PLAN 66R-15933
PART 3, PLAN 66R-15933
PIN 21411-0161(LT)
PLAN 64R-13297
PART 1
PART 2
PIN 21411-0163(LT)
PIN 21411-0164(LT)
BLOCK B, REGISTERED PLAN 216-E
BEARING
ELEVATION
LEGEND
SURVEYOR'S CERTIFICATE
PATRICK WOOLLEY
ONTARIO LAND SURVEYOR
DATE: JANUARY 5, 2011
1788755
KRCMAR

Land Use/Planning

Official Plan Map



Regeneration Areas are key to the Plan's growth strategy, reintegrating areas of the City that are no longer in productive urban use due to shifts in the local or global economies. In Regeneration Areas, commercial, residential, live/work, institutional and light industrial uses can be mixed within the same block or even the same building." The intent being to rejuvenate under used areas.

The Subject falls within the King-Spadina Secondary Plan. Key objectives of the secondary plan include:

- Attract new investment to the area
- Provide a mixture of uses which are compatible with the area and can evolve along a similar timeline as the residential population stabilizes
- Retention and promotion of current commercial and industrial uses which provide for area employment
- Provide commercial activity which supports existing and new residents as well as surrounding communities
- Retention, restoration, and reuse of heritage buildings

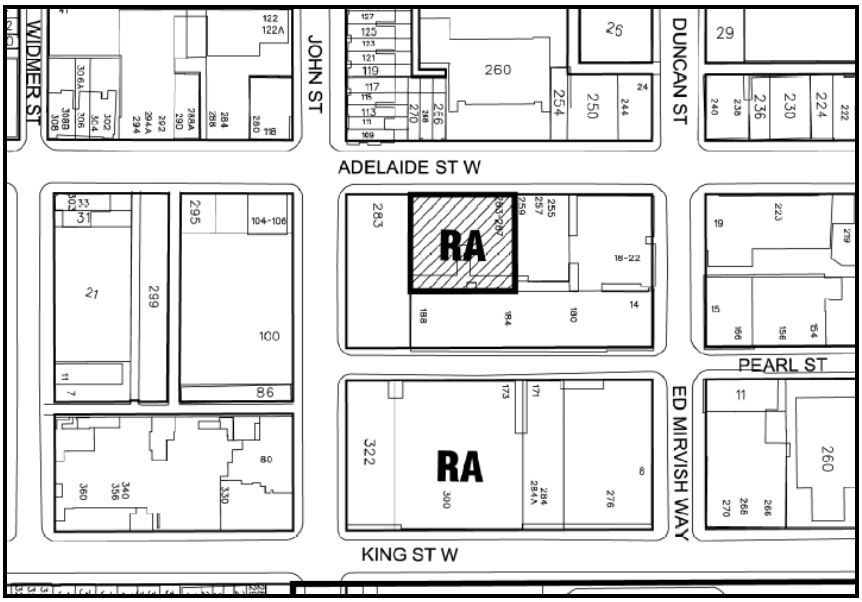
Permitted uses will include a mix of employment and residential, provided that employment uses are restricted to those compatible with adjacent and neighbouring residential uses in terms of emissions, odour, noise and generation of traffic.

Zoning

The Subject property is designated as RA under By-law 438-86. Under the current zoning a wide array of uses including residential, office, retail, and employment uses. The zoning designation does not limit density, however, it does restrict high to 30 meters.

A rezoning application had been submitted to the City of Toronto to permit numerous aspects of the proposed development which do not conform to the in place zoning by-law, most notably its proposed height.

Zoning Map



Heritage

The Subject is currently improved with a five storey build which is listed on the City of Toronto's Inventory of Heritage Buildings. The redevelopment proposal would incorporate the street facing façade of the building into the new development.

Application

A rezoning application was which proposed the redevelopment of the Subject with a 49 storey mixed use building with a gross floor area of 409,774 square feet. In addition, the new development would be required to make considerations for the replacement of the rental stock currently in place.

Compliance

Under the current land use controls, the proposed development as described herein would require a rezoning application. The current application is being review by the City of Toronto Planning Department.

Location Description



The Subject is located in an area which is transitioning from medium commercial and office uses to high density residential and mixed uses. The Subject's area of Toronto is known as the Entertainment District, which has in recent years due to the significant level of development had a large population increase. The Financial District, just east of the Subject, is readily accessible via public transit in the form of bus and streetcars operating along Adelaide Street West. The immediate area has seen significant levels of redevelopment in recent years, both along major arterials and immediately adjacent streets.

Recent development in the area has largely taken the form of high-density residential and mixed-use developments, which have primarily been located along major arterials, however, due to the rising cost of redevelopment sites, development has started to move to neighboring streets. The immediate area has in recent years has been transformed with numerous high density mixed use developments. Currently in close proximity of the Subject, there are 7 developments proposed for development including a 48 storey development immediately adjacent to the Subject on the corner of Adelaide Street and John Street.

Surrounding land uses include:

North: The north side of Adelaide Street is lined by low rise commercial buildings including a City of Toronto fire station. Further north, the

area is primarily developed with low to mid rise commercial buildings interspersed with new high density residential and mixed use developments.

South: South of the Subject to Front Street is a mixture of office and commercial buildings of varying densities. South of Front Street is the entertainment node containing the Rogers Center and the CN Tower.

East: East of the Subject, Adelaide Street is lined by a number of former industrial builds which have been repurposed for commercial, office, or residential use. Many of these buildings, which have heritage status, are the target of redevelopment proposals.

West: Immediately west of the Subject is a development site which is proposed for development featuring a 48 storey residential tower with ground floor retail space. Further west, Adelaide Street is lined by medium density commercial buildings and sites proposed for redevelopment with residential or mixed use towers.

Summary

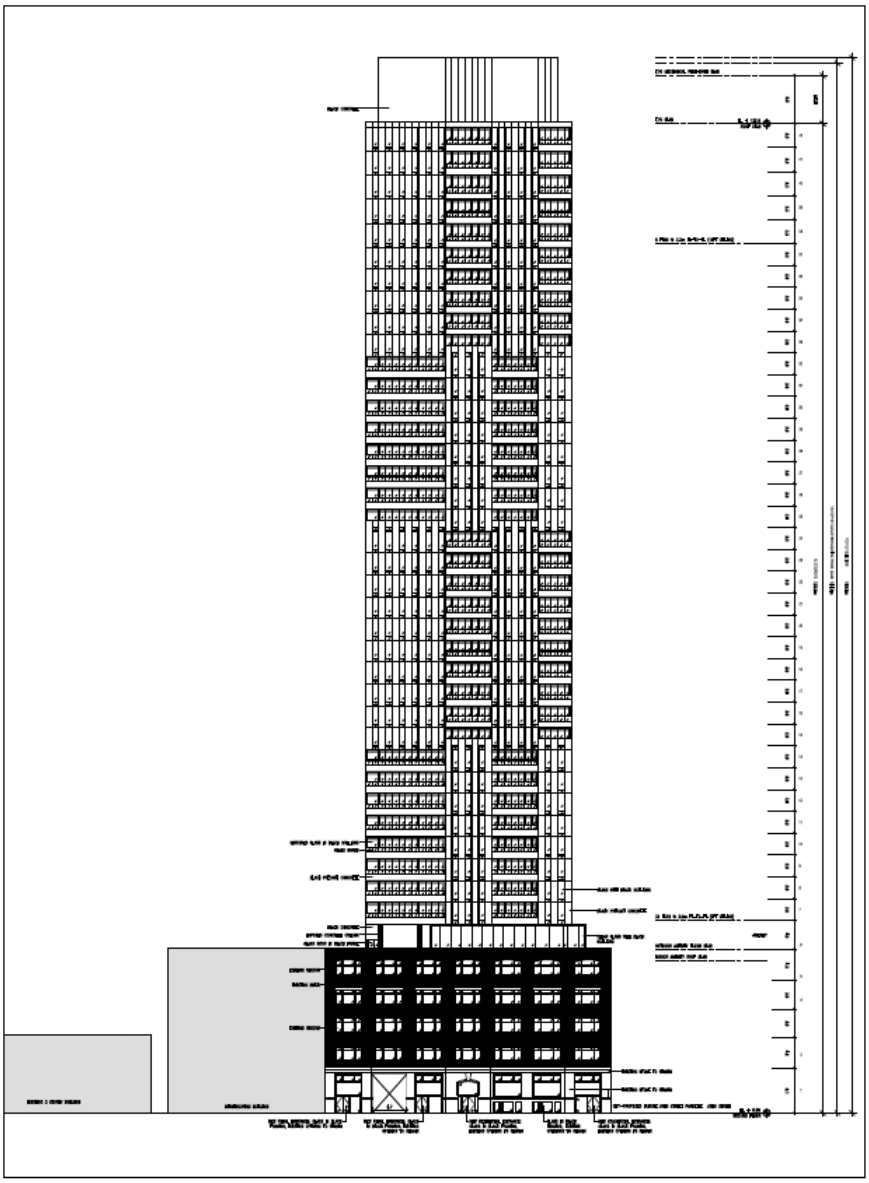
The Subject is located in an area which is transitioning from predominantly medium density commercial uses to high density residential uses with some commercial uses. Despite the significant supply, the demand for residential condominiums has been stable in response to the rising cost of commuting, traffic congestion and the high cost of single family dwellings. The outlook for this segment of the market is discussed in greater detail within the report.

Development Description

The Subject site is proposed for development with a 49-storey mixed use building containing ground floor commercial/retail space and office space in addition to residential amenity space. The total proposed Gross Floor Area is 409,774 square feet and would feature bachelor, one bedroom, two bedroom, and three bedroom units. The street facing façade of the current improvements will be incorporated into the base of the new development.

Parking will consist of both vehicle and bicycle parking contained within an underground parking structure.

Development Rendering



Market Overview

March 2015 Canadian Economic Overview

As a result of the decline in oil prices, the Bank of Canada became the first central bank in the larger Group of Seven to cut interest rates lowering its target for the overnight rate by one-quarter of one percentage point to ¾ % in the first quarter of 2015. In addition, total CPI is beginning to reflect the change in oil prices and inflation has remained close to 2.0% in recent quarters. With growing angst about the sluggish pace of job creation, a second cut was a potential reality this month but the Bank of Canada held the rate steady at 0.75%. Canada's streak of unimpressive economic growth is expected to continue into 2015, with forecasts calling for 1.9% overall in 2015, a substantial downgrade from the September forecast. While the U.S. economy is gaining momentum, the drop in oil prices will cost producers more than US$40 billion in lost revenue and result in a considerable decline in business investment.

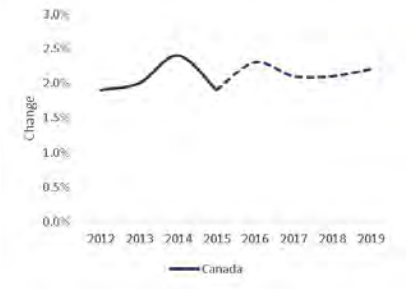
Average Annual Compound Growth Rate

Economic Indicator	Historical 2012-2014	Current Period Forecast 2015	Mid-Term Forecast 2016-2019	Forecast Trend
GDP	2.2%	1.9%	2.1%	↑
Employment	1.0%	1.0%	1.4%	↑
Unemployment	2.8%	1.4%	4.8%	↑
Personal Income per	2.6%	2.8%	2.9%	↑
Population	0.7%	1.1%	1.1%	↑
Retail Sales per capita	2.7%	1.6%	2.6%	↑
CPI	1.4%	1.2%	2.0%	↑
Housing Starts	-6.1%	-9.3%	4.7%	↑

Forecast Risk

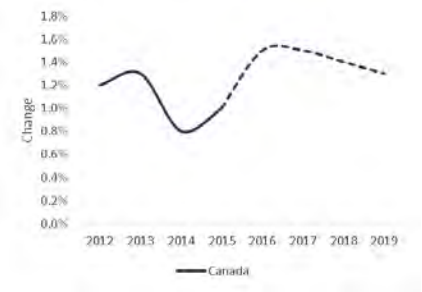
The most glaring risk to Canada's economic outlook stems from the recent decline in the price of oil and other commodities. While the most immediate impact will be positive- a boost to consumers' disposable incomes and spending, heightened manufacturing based on reducing production costs and increases in forestry and agriculture – lower oil prices if persistent, will discourage investment and exploration in the oil sector. Lower oil prices are typically accompanied by a weaker Canadian dollar, which we are already seeing. Over time, higher-cost oil is still likely to be needed to satisfy growing global demand; however, prices could potentially continue to decrease, or simply remain low through the first two quarters of 2015 before those medium-term forces really start to influence the market which could slow growth projections even further.

Real Gross Domestic Product (GDP)



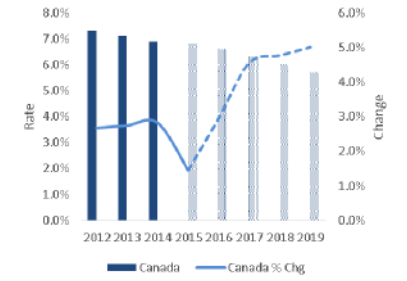
The economy is forecast to expand by just 1.9% in 2015, the fourth consecutive year of growth below 2.5%. The sharp drop in oil prices will cost more than US$40 billion in revenue; however, what should help balance this is the U.S. economy's momentum which should further stimulate demand for Canadian exports, especially non-energy related exports, made more competitive by the lower value of the Canadian dollar.

Employment



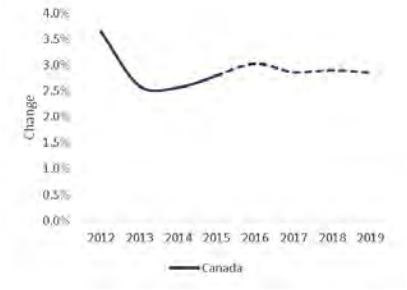
With overall economic growth in 2015 expected to be a substantial downgrade from the September forecast, job growth is expected to remain fairly tepid. After a dismal gain of 136,000 jobs in 2014, the labour market is expected to add just 187,000 jobs in 2015.

Unemployment



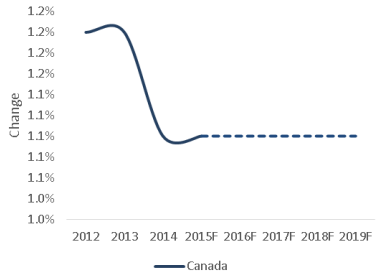
Business investment will be the weakest part of the Canadian economy in 2015. Capital budgets are already being significantly cut across the oil and gas industry. With the potential for layoffs very present and a soft domestic economy, the unemployment rate will remain stuck at approximately 6.8% this year.

Personal Income per Capita



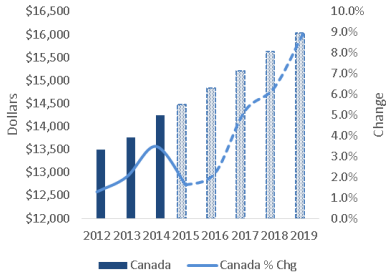
Canadians have received consecutive real wage gains since 2011 averaging 2.9% per annum. Personal income per capita is anticipated to exceed $42,500 in 2015. By 2019, personal income per capita is forecast to exceed $47,750 with growth averaging 2.9% from 2016 through 2019.

Population



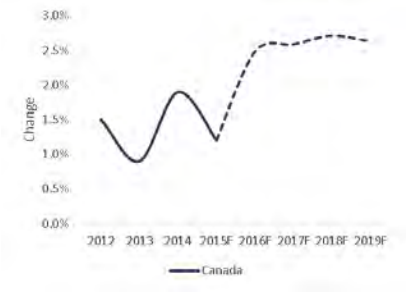
Canada's population growth rate has been averaging 0.7% from 2012 to 2014. The country's population is expected to grow 1.1% in 2015 to 35.8 million. The country's population growth is forecasted to remain consistent with 1.1% increases from 2016 through 2019 reaching over 37.5 million by 2019.

Retail Sales per Capita



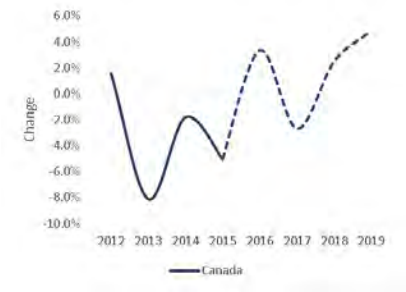
Consumer spending will be restrained by soft employment growth, including the threat of job losses in oil-rich provinces, weak wage gains, and high levels of household debt and easing real estate markets. While consumers should get a break on lower gasoline costs and consumer prices, it won't be enough to counter the trend of easing growth in household spending.

Consumer Price Index



Canada's Consumer Price Index is projected to finish 2015 at 1.2% with future growth forecasted at 2.1% from 2016 through 2019. This is not surprising given that CPI has begun to reflect the decline in the price of oil.

Housing Starts



Residential construction investment is also expected to cool this year. A combination of declining oil prices and oversupply in some cities' condominium markets will prompt a 9.3% decline in new home construction, as housing starts fall from 189,400 units in 2014 to 171,700 units in 2015.

The information is sourced from:

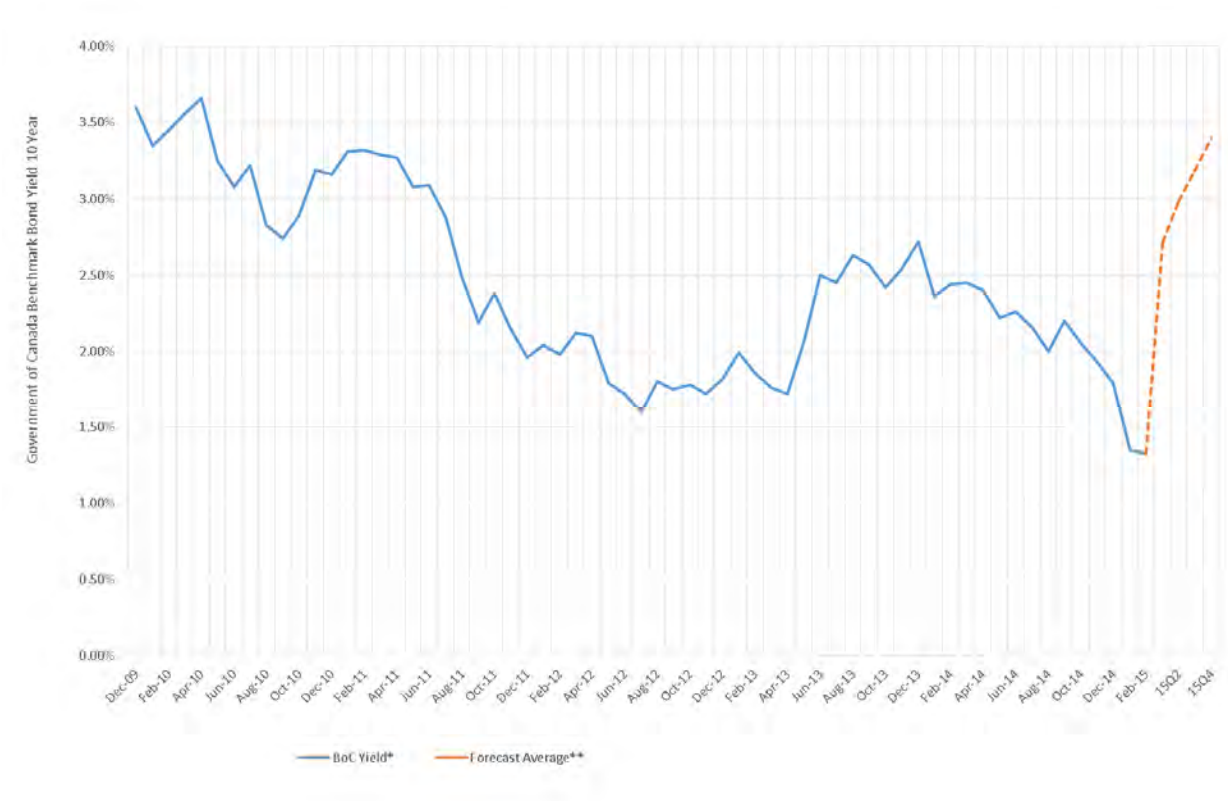
a) The Conference Board of Canada, Metropolitan Outlook 1 Winter 2015, based on August 29, 2014 Canadian economic accounts

b) Statistics Canada

Bond Yields

In the near term, government bond yields will remain low however as evidence that the economy is coping with the oil price shock materializes, rates will begin to move up more aggressively according to the RBC Economic and Financial Market Update.

So far in 2015, oil prices and bond yields have continued to fall, and many central banks have enacted further monetary stimulus to stave off the risk of deflation. For Canada, the Bank of Canada's 25 basis point rate cut takes the cake as the biggest economic surprise of 2015. TD Economics February Update indicates that shorter maturity bonds have been adjusted after the Bank of Canada announced they are foregoing a second cut in March, indicating they are content with the way Canada's economy is responding to the surprise cut earlier this year.



The information is sourced from:

a) Bank of Canada, Government of Canada benchmark bond yields 10 year Last updated March 9, 2015
b) RBC Economics, Economic and Financial Market Outlook, February 2015
c) TD Economics, Quarterly Economic Forecast, February 2015

March 2015 Ontario Economic Overview

Ontario's economy took a step toward achieving a more convincing pace of expansion in 2014. Ontario is expected to take another step in that direction in 2015, placing it on top of the provincial growth rankings. Stronger exports, higher household spending, and brisk activity in the housing sector have re-invigorated the provincial economy since the spring of 2014, after real GDP growth slowed to a post-recession low of 1.2 % in 2013. It is believed that the recent turnaround in Ontario's exports is just the beginning of a powerful export-led push that will contribute to the fastest growth in five years for the province.

Average Annual Compound Growth Rate

Economic Indicator	Historical 2012 - 2014	Current Period Forecast 2015	Mid-Term Forecast 2016-2019	Forecast Trend
GDP	1.5%	2.6%	2.1%	
Employment	1.1%	1.4%	1.6%	
Unemployment (improvement)	2.6%	2.7%	-6.1%	
Personal Income per capita	2.2%	3.0%	2.9%	
Population	0.7%	0.9%	1.2%	
Housing Starts	-11.8%	0.8%	12.0%	
Retail Sales per capita	2.2%	2.8%	2.4%	
CPI	1.7%	2.0%	2.1%	

Forecast Risk

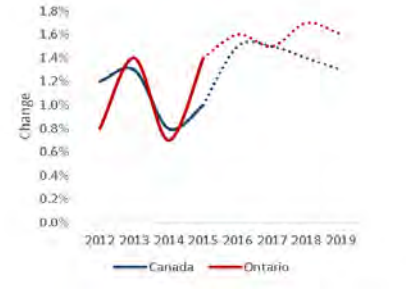
A further depreciation of the Canadian dollar could help Ontario's competitiveness and further boost foreign demand.

Real Gross Domestic Product (GDP)



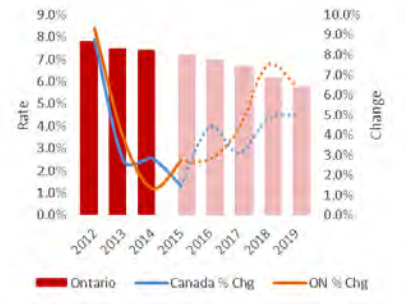
Ontario's real GDP grew by 1.8% in 2014, buoyed by strong demand from a resurging U.S. economy and the resiliency of Ontario consumers. This year, economic growth is expected to accelerate to 2.6% as business investment finally ends its two-year slump and posts solid growth. From 2016 to 2019, Ontario's economy is forecast to grow by an average of 2.1% (compared to 2.2% for Canada), this will be driven by growth in exports and an improving job market.

Employment



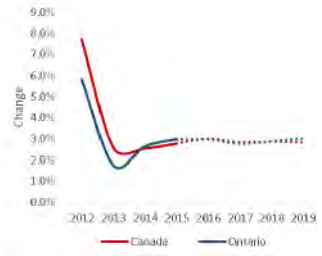
Job creation is expected to pick up its pace in the province in 2015. A 1.4% growth is forecast this year, up from a five-year low of 0.7% in 2014. In January, employment stagnated with an addition of 1,300 jobs recorded. The market will need to show more vitality for a longer period to change the current picture. From 2016 to 2019, employment in Ontario is forecast to grow by an average of 1.6%.

Unemployment



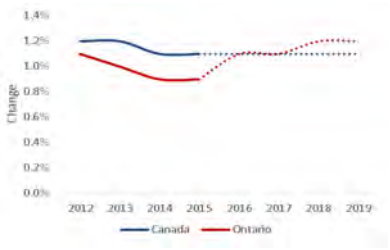
The unemployment rate in the province is forecast to be at 7.2% in 2015, after a 7.4% recorded at the end of 2014. Moreover it is expected to decrease below 6.4% for the next few years.

Personal Income per Capita



Growth in employment will help increase Ontario's personal income per capita by 3.0% this year, bringing it to $42,000. Stronger exports, the recent depreciation of the Canadian dollar, and continued government support should contribute to personal income per capita growth in 2015. Personal income per capita is expected to increase by 3.0% next year and by 2.9% in average until 2019.

Population



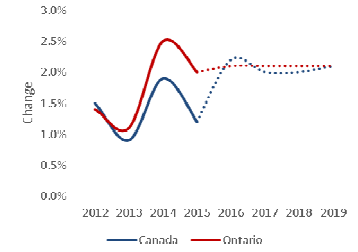
Ontario's population has been stable at around 1.0% growth since 2011 and has been lagging behind the national average. This year, population growth should decrease slightly to 0.9%, similar to 2014. However, from 2016 to 2019, Ontario's population growth is projected to average 1.2% annually exceeding the national average population growth rate of 1.1%. By the end of 2019. Ontario's population is projected to be over 14 million.

Retail Sales per Capita



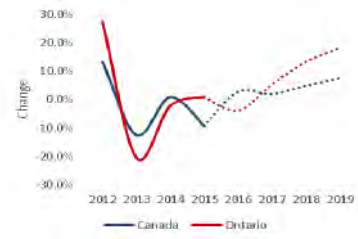
2015's retail sales per capita are projected to increase by 2.8%. The province's retail sales per capita are forecasted to continue to grow at an average rate of 2.5% from 2016 through 2019. Improving job prospects and lower gasoline prices resulting from the significant drop in oil prices should offer favourable conditions for further growth in household spending in the province, although there is room for only minimal acceleration in retail sales from an already-brisk pace of 3.2% in 2014.

Consumer Price Index



Following CPI growth of 2.5% recorded last year in 2014, the province's CPI is expected to slow by 2.0% which is still higher than the national CPI of 1.2%. However both CPI's are expected to continue on their growth trajectory from 2016 to 2019 averaging 2.1% annually.

Housing Starts



Ontario's housing starts are expected to increase by 0.8%, which is an improvement from the 2.3% decline recorded in 2014. Following surprisingly solid activity in 2014, Ontario's housing market is forecast to remain vibrant in 2015, with home resales being sustained near historical highs. A slight increase in housing starts from 59,700 units in 2014 to 60,200 units in 2015 is projected.

The information is sourced from:
a) The Conference Board of Canada, Metropolitan Outlook 1 Winter 2015, based on December 23, 2014 Canadian economic accounts.
b) Statistics Canada.

March 2015 Toronto Economic Overview

Economic growth in Toronto slowed in 2014. However, the manufacturing sector will continue to recover, benefitting from a lower Canadian dollar and a stronger U.S. economy. Oil prices should stay close to current levels in the months to come, as an ongoing global surplus will keep upside pressure on crude inventories. Moreover, the Bank of Canada lowered its key rate by 25 basis points in January, deeming the action was necessary given the decrease in oil prices. Overall, Toronto's economy is expected to expand by 2.8% in 2015. An improving manufacturing sector and a healthy services sector will contribute to this growth. Output in the construction sector is forecast to dip slightly this year, as several nonresidential projects wrap up. Fortunately, rising housing starts will provide a boost to construction output next year, helping lift overall economic growth to 2.9% in 2016.

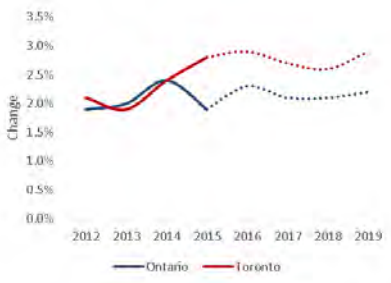
Average Annual Compound Growth Rates

Economic Indicator	Historical 2012 - 2014	Current Period Forecast 2015	Mid-Term Forecast 2016-2019	Forecast Trend
GDP	2.1%	2.8%	2.7%	
Employment	2.0%	1.8%	2.5%	
Unemployment (improvement)	3.6%	2.5%	5.7%	
Personal Income per capita	2.5%	2.2%	3.1%	
Population	1.1%	1.7%	1.8%	
Housing Starts	-19.9%	4.2%	8.6%	
Retail Sales per Capita	2.1%	2.3%	2.3%	
CPI	1.9%	2.0%	2.1%	

Forecast Risk

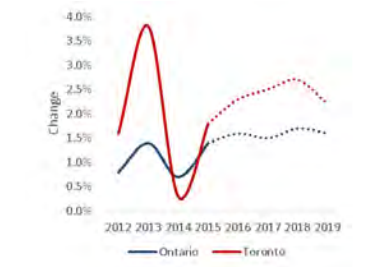
A lower-than-expected Canadian dollar could boost exports even more this year, leading to stronger growth in the manufacturing sector.

Real Gross Domestic Product (GDP)



Real gross domestic product in Toronto advanced by 2.4% in 2014, with growth boosted by healthy gains in manufacturing, transportation and warehousing, and wholesale and retail trade. Construction output is expected to be weaker again this year, while public administration output and the manufacturing sector are expected to post modest gains. Fortunately, the manufacturing sector is forecast to expand at a faster rate this year, while the remaining sectors are projected to enjoy widespread growth. As a result, Toronto's economy is forecast to increase by 2.8% in 2015, the strongest gain in five years, and by a similar pace in 2016, up by 2.9%.

Employment



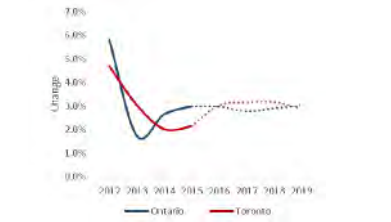
Employment rose by 3.8% in 2013, the largest annual increase since 2000. Employment growth slowed sharply to 0.3% last year, but is expected to improve to 1.8% for 2015. As a result, consumers are expected to keep spending this year.

Unemployment



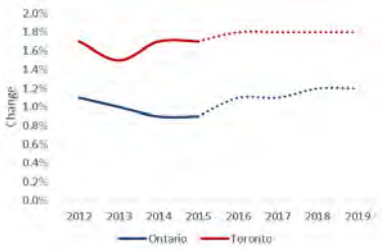
Toronto's improving economic conditions are projected to reduce the unemployment rate to 7.8% by the end of this year. But overall the employment growth is slower. A relative lack of employment gains were identified in the retail and wholesale trade, transportation and warehousing, manufacturing and government services industries. On the contrary, financial-insurance-real-estate, professional-scientific-technical, education, health and food services are industries that are contributing to employment gains.

Personal Income per Capita



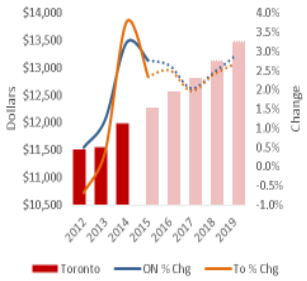
Toronto's per capita personal income is expected to grow by 2.2% in 2015. Healthy employment growth should help personal income. By the end of 2019, the city's per capita personal income is projected to reach over $50,000, up from the $44,700 expected this year.

Population



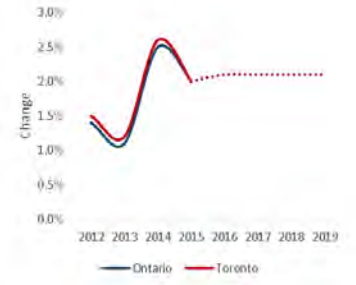
Population growth in Toronto is forecast to stagnate at 1.7% this year. Although immigration levels will remain high and the largest source of growth comes from the non-permanent resident category which is more volatile and therefore less predictable. A larger net outflow of population to other regions in the province by a growing portion of retirees is also expected.

Retail Sales per Capita



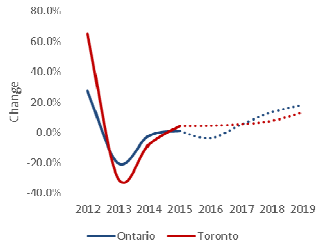
Toronto's per capita retail sales are forecast to slow slightly to 2.3% (compared to 3.8% in 2014) because of slower employment growth. Moreover, the retail industry continues to adapt to more American chains coming to Canada, expanding e-commerce, and the rise of discount retailers.

Consumer Price Index



Toronto's CPI and the province's CPI growth are forecast to both slow to 2.0% in 2015 from 2.6% and 2.5%, respectively. Both CPI's are expected to continue on their growth trajectory from 2015 to 2018 averaging 2.1% annually.

Housing Starts



Toronto housing starts dropped more than 35% over the past two years, after increasing sharply from 2010 to 2012, when the market was driven by the recovering economy, solid population growth, low interest rates, and a trend toward condominiums. However, this year housing starts are expected to increase by 4.2%.

The information is sourced from:

a) The Conference Board of Canada, Metropolitan Outlook 1 Winter 2015, based on December 23, 2014 Canadian economic accounts

b) Statistics Canada

Residential Condominium Sub-Market Overview

The following section comprises excerpts from Urbanation's Q4, 2014 condominium market report published on a quarterly basis.

Toronto Condominium Market

The Toronto new condominium apartment market completed a full comeback in 2014 after a brief pause in activity in 2013. Sales rebounded by 51% in 2014 from a 10-year low to reach 21,605 in the GTA (20,736 units in the CMA) — the highest volume since the market peak in 2011 and the third best year on record. The 5,510 units sold in the fourth quarter were up 25% year-over-year. Price growth improved throughout the year, with sold index prices rising 3.6% year-over-year in Q4 to $560 psf. Competitively priced new launches and hefty incentives at existing sites helped cut total unsold inventory by 10% to end the year at 17,972 units, elevating the share of total units in active development that are pre-sold to a near high of 83%.

The Toronto CMA saw 5,156 new condominium unit sales in Q4-2014, a seasonal increase of 20% from Q4-2013. The average sold index price for new condominium apartments in the Toronto CMA in Q4-2014 was $562 psf, an increase of 1.0% over Q3-2014 and 3.7% annually. The average resale index price in the Toronto CMA rose 3.8% compared to a year ago to $434 psf and 1.2% from the third quarter. The average unit size traded increased to 902 sf, up from 892 sf in the third quarter. Urbanation is currently tracking 285,212 units of future condominium supply in the Toronto CMA, up from 271,033 in Q4-2013 and 278,260 in Q3-2014.

The largest development expected to launch in the first quarter is the Easton's Group' The Rosedale on Bloor at 387 Bloor Street East at Selby Street. The 49 and 12-storey towers will encompass 582 units in the East Bloor / Village submarket. The first phase of Freed Development's Art Shoppe Condos with 693 units is expected to be one of two new developments to launch in the North Midtown submarket in the first quarter, the other being Pemberton Group's Citylights on Broadway, the 34-storey north tower of a two building project at Broadway and Redpath Avenues. On the border of the Downtown West and Annex submarkets, Shiu Pong is launching a boutique 116-unit building at 231 College Street at Huron, the 17-storey Design Haus.

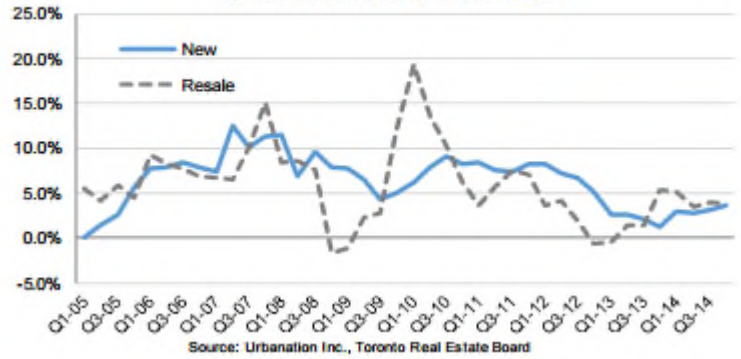
Toronto looks set to be very well supplied over the next year with existing and new condominium stock, however, demand is continuing to grow both in volume and price per square foot. Continuing low mortgage lending rates, high cost of single family dwellings and large amenity base in Toronto, the market for condominiums in Toronto is anticipated to remain strong in the short to medium term.

Greater Toronto Area Condominium Market

Prices to Hold Steady with No Oversupply in 2015

Ultimately, investor involvement in the market should stay in keeping with the standard set over the past couple years. Gone are the speculators expecting to earn a hefty profit within a few years as market appreciation has declined. New condo prices averaged 3% growth in 2014, ending the year up 3.6% from a year earlier, while resale prices have averaged approximately 4% during the year. It appears that for the first time in 10 years, new and resale condo price growth is aligning and settling below 5% (Figure 1.6). The high level of overall absorption in the new condo market and balanced sales-to-listings ratio for resale supports current price trends.

Figure 1.6
Annual Growth for New and Resale Condo Prices PSF
Greater Toronto Area: Q1-2005 to Q4-2014



Source: Urbanation Inc., Toronto Real Estate Board

There is a limited chance that prices will decline in 2015. Despite a high of 20,809 units finished construction in 2014, the resale listings emanating from these buildings will continue to have a negligible bearing on overall market conditions. As a share of total resale listings, newly registered units represented an average of 10% from 2012-2014. Even if that share rises a few percentage points, it will translate into only an extra 3% or so more listings on the market.

Figure 1.7
Condo Apartment Registrations and Share of Total Resale Listings
Greater Toronto Area: 2010 to 2015f



Source: Urbanation Inc., Toronto Real Estate Board

Subdued Launch Activity to Keep Market Balanced

A total of 18,375 units were launched in 2014, and Urbanation anticipates a slightly lower 16,500 launches for 2015. Activity should pick up a bit in the 905 after a substantial 14% reduction in inventory last year, while Toronto will be held back somewhat by fewer available and suitable sites to bring to market. As shown in Figure 1.10, there is a direct negative correlation between the supply/demand balance in the market and the number of launches. As market conditions soften (i.e. months of supply rises), launches pull back, and vice-versa to varying degrees. Note that the paths of these two variables converge every few years as market adjustments are made, with 2015 expected to see the next equilibrium point.

Figure 1.10
New Condo Apartment Launches and Months of Supply
Greater Toronto Area: 2004 to 2015f



Source: Urbanation Inc.

Urbanation tracked a total of 435 high-rise condominium apartment projects in the Greater Toronto Area in Q4-2014, including 404 active projects (CMA: 386) containing 104,589 units (CMA: 102,908) and 7,246 units in 31 sold out (and not registered) projects. Urbanation tracked a total of 271,101 resale units in 1,571 condominium apartment buildings in the Greater Toronto Area in Q4-2014. Sixteen new projects registered with a combined 3,484 units in the third quarter.

Valuation

Highest and Best Use

Fundamental to the concept of value is the principle of highest and best use which is defined as that use which would most likely produce the greatest net return to the land over a given period of time, bearing in mind that the reference to net return is not limited to monetary advantage but may be in the form of amenities.

The four essential tests of highest and best use are:

- Legally permissible;
- Physically possible;
- Financially feasible; and
- Maximally productive (market demand).

A full land use feasibility study was not performed. The highest and best use conclusion is based on the instructions of the client to value the Subject as an unimproved parcel of residential use development land.

Highest and Best Use

Please note we have not performed a highest and best use analysis as we have been requested to value the subject site as though unimproved.

Legal Permissibility

- Within the zoning by-law, the Subject property is classified as RA. It is an assumption of this report that the Subject can be rezoned to permit the proposed development.

Physical Possibility

- The site is of a size/configuration that would accommodate the construction of a high-rise residential use development. While a soil analysis has not been conducted, nor are we qualified to comment on any complete soil studies, analysis of the surrounding land uses indicate that the Subject could adequately support development.

Financial Feasibility

- Of the permitted uses, residential or mixed-use development would be feasible and marketable, based on the Subject's location and site area. The transition of the surrounding area indicates a high-demand for dwellings in this area.

Maximum Productivity

- We have been requested to value the Subject as a redevelopment site and have therefore not determined the maximum productivity of the Subject.

Conclusion

As Vacant

The highest and best use, as vacant, is for redevelopment of the Subject for residential or mixed-use purposes.

As Improved

As of the effective date of this report, the Subject is improved with a five storey heritage listed building, however, we have been requested to value the site as a redevelopment site. As such, it is assumed that the Highest and Best Use As-Improved is for redevelopment of the Subject for residential or mixed-use purposes.

Valuation Methodology

Traditionally, there are three accepted methods of valuing real property:

- Cost Approach
- Direct Comparison Approach
- Income Approach

The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration.

1) **The Cost Approach** to value is based upon the economic principle of substitution, which holds that the value of a property should not be more than the amount by which one can obtain, by purchase of a site and construction of a building without undue delay, a property of equal desirability and utility.

2) **The Direct Comparison Approach** examines the cost of acquiring equally desirable and valuable substitute properties, indicated by transactions of comparable properties, within the market area. The characteristics of the sale properties are compared to the subject property on the basis of time and such features as location, size and quality of improvements, design features and income generating potential of the property.

3) The **Income Approach** recognizes that for many market participants, the primary purchase criteria is the property's ability to generate income. In this approach, the potential income the property is capable of generating is analyzed and then converted into an expression of market value by the application of an appropriate technique. There are two main Income Approaches used by market participants.

   - The Income Approach via ***Overall Income Capitalization*** method is based solely upon the conversion of current earnings directly into an expression of market value in much the same way that stocks are valued through the use of a price-to-earnings multiplier. In this method, the net operating income for the forthcoming year is capitalized by an overall capitalization rate which represents a typical investor's expectations as witnessed in the sales and listings of similar properties.

   - The Income Approach via ***Discounted Cash Flow Analysis*** involves forecasting the future earnings for a prescribed time period and then discounting these annual amounts and the reversionary value of the asset to arrive at an expression of current market value. This technique is predicated upon a number of assumptions with respect to lease renewals and inflation, etc., and thus is considered somewhat less objective than the traditional Overall Income Capitalization method.

Selection of Relevant Methodology (Development Site)

The highest and best use of the property is as a site for a residential or mixed use high rise development.

The Direct Comparison Approach is the most common technique used to value development sites and is the preferred method when sales of comparable properties are available.

We have analyzed sale activity in close proximity to the subject and have concluded the following:

- Prudent purchasers examine potential properties on the maximum per square foot buildable area rather than a price per square foot of site area.
- Limited recent transactions exist in the market for determining an estimated value based on a price per square foot buildable.

The cost or income approaches have not been employed because the property is assumed to be vacant land.

The valuation methodology employed in this report was limited to the Direct Comparison Approach.

Direct Comparison Approach

The Direct Comparison Approach is based on the Principle of Substitution which maintains that a prudent purchaser would not pay more for a property than the cost to purchase a suitable alternative property which exhibits similar physical characteristics, tenancy, location, etc. Within this approach, the property being valued is compared to properties that have sold recently or are currently listed and are considered to be relatively similar to the subject property. Typically, a unit of comparison (i.e. sale price per square foot, sale price per acre) is used to facilitate the analysis. In the case of properties similar to the subject, the sale price per square foot of permitted gross floor area **("psf buildable")** is the most commonly used unit of comparison.

The overall site area of the Subject property is approximately 15,430 square feet (0.35 acres). The highest and best use of the property is deemed to be a site for high density residential or mixed use development.

Selection of Comparable Sales

As one sale is not necessarily indicative of market value, an appraiser examines a number of market transactions. When properly reconciled, trends emerge, leading to the estimate of market value of the property being appraised.

A search of comparable land sales in the City of Toronto, with the potential for residential development, yielded five sales considered similar to the Subject. The sale prices ranged from $7,500,000 to $78,800,017. The sales ranged in size from 0.11 to 0.96 acres. When converted to a buildable rate per square foot, the prices ranged from $78 to $117.

Sales of Development Lands

The chart identifies the sales we researched. In valuing the Subject property, we focused on sales most similar to the Subject in terms of neighbourhood location, potential development, timing and density. A detailed analysis of each of the key sales outlining our adjustments and reasoning follows.

The basis for comparison included the consideration of the following:

- Sale Date;
- Property Rights Conveyed;
- Financing Terms;
- Conditions of Sale;
- Location;
- Development Timeline.

Analysis

Sale Date

- Where the market is changing, it may be necessary to adjust prices to reflect the time difference between the date of sale of a comparable property and the date of valuation.

Property Rights Conveyed

- When real property rights are sold, they may be the sole subject of the contract or the contract may include other rights. In the sales comparison analysis, it is pertinent that the property rights of the comparable sale be similar to the property rights of the subject property. All the sales considered were fee simple transfers, no adjustments were necessary.

Financing Terms

- The transaction price of one property may differ from that of a similar property due to different financing arrangements. Financing arrangements may include existing mortgages at favourable interest rates or paying cash to a lender so that a mortgage with a below-market interest rate could be offered. While selected comparable sales had VTBs in their transactions, the terms of the mortgage were considered in making adjustments to the sale price.

Conditions of Sale

- Adjustments for conditions of sale usually reflect the motivations of the purchaser and vendor. In some cases the conditions of sale significantly affect transaction prices. Sales that reflect unusual situations, require an appropriate adjustment for motivation or sale condition. For example, power-of-sale conditions involve a certain degree of urgency on part of the lender -

leading to a somewhat lower sale price than what would otherwise be expected. All the sales considered were normal market transactions with no undue motivation, no adjustments were necessary.

Location

- An adjustment for location within a market area may be required when the locational characteristics of a comparable property are different from those of the subject property. Although no location is inherently desirable or undesirable, the market recognizes that one location is better than, similar to, or worse than another.

Development Timeline

- An adjustment for the anticipated time to development may be required when the site requires demolition, rezoning, and site plan approval. The time required to prepare the site for development may affect the sale price (a longer development timeline requires a downward adjustment). Development timeline adjustments were made when necessary.

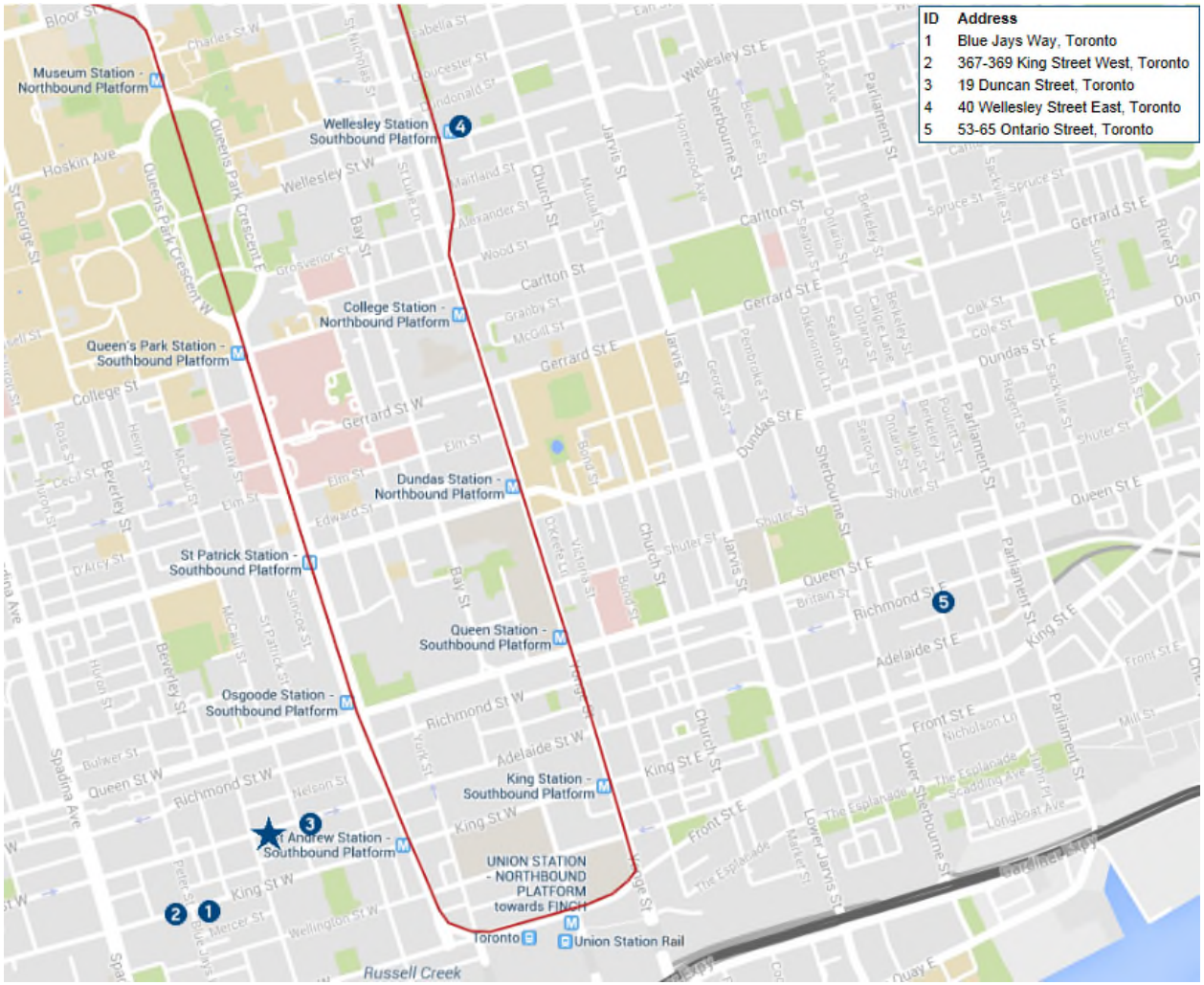
The Appraisal Institute of Canada recommends the use of "paired sales analysis" in the derivation of adjustments. This involves locating two very similar sales that sell in a similar time period. If the two sales differ in only one key feature, then the difference in sale price can be used as the "market indicator" for the adjustment for that feature. In practice, this concept usually only applies to newer homes in a subdivision. Commercial and industrial properties tend to be more unique and therefore, it is not usually possible to find paired sales to derive adjustments. In the absence of paired sales, it is the appraisers' experience and judgment (based on observation), which is used for adjustments. A table of the relative adjustments is presented on pages following a descriptive analysis of each of the key sales. Details of the comparable sales are included in the Appendix.

Comparables

Land Transactions & Analysis

	Subject	Transaction One	Transaction Two	Transaction Three	Transaction Four	Transaction Five
Address	263 Adelaide Street West	Blue Jays Way	367-369 King Street West	19 Duncan Street	40 Wellesley Street East	53-65 Ontario Street
Transaction Date	-----	07-Aug-14	15-Jan-15	10-Feb-15	03-Nov-14	31-Jul-14
Transaction Status	-----	Closed	Closed	Closed	Closed	Closed
Transaction Price	-----	$78,800,017	$7,500,000	$47,050,000	$19,270,000	$16,915,000
Land Use/Zoning	Regeneration Area/RA	Regeneration Area/RA	Regeneration Area/RA	Regeneration Area/CRE	Mixed Use Area/R3 Z2.5	Regeneration Area/CRE
Site Area (Acres)	0.35 Acres	0.96 Acres	0.11 Acres	0.59 Acres	0.33 Acres	0.71 Acres
Square Foot Buildable	409,774 SF	724,148 SF	64,357 SF	470,000 SF	248,380 SF	200,220 SF
Density	27.16 X	17.39 X	13.68 X	18.35 X	17.12 X	6.44 X
Value Per Square Foot Buildable	-----	$109/BSF	$117/BSF	$100/BSF	$78/BSF	$84/BSF
Transaction & Other Adjustment		**Description**	**Adj.**	**Description**	**Adj.**	**Description**	**Adj.**	**Description**	**Adj.**	**Description**	**Adj.**
Property Rights Conveyed	Fee Simple	Fee Simple	None	Fee Simple	None	Fee Simple	None	Fee Simple	None	Fee Simple	None
Financing	-----	Assumed Market	None	Cash	None	Cash	None	Cash	None	Cash	None
Conditions of Sale	-----	Arm's Length	None	Arm's Length	None	Arm's Length	None	Arm's Length	None	Arm's Length	None
Market Conditions (Time)	15-Apr-15	918 days	Upward	90 days	None	64 days	None	184 days	Upward	294 days	Upward
Location	Good	Very Good	Downward	Very Good	Downward	Good	None	Good	Upward	Good	Upward
Access	Very Good	Very Good		Very Good		Very Good		Good		Good	
Physical Characteristics											
Site Configuration	Good	Very Good	Downward	Good	None	Very Good	Downward	Good	None	Good	None
Improvements	Improved	Improved	None	Improved	None	Improved	None	Improved	None	Improved	None
Development Characteristics											
Timing of Development	Application Submitted	Application Submitted	None	Application Submitted	None	No Application	Upward	Application Submitted	None	Application Submitted	None
Development Size	409,774	724,148 SF	Upward	64,357 SF	Downward	470,000 SF	None	248,380 SF	Downward	200,220 SF	Downward
Motivation	None	Purchaser Motivation	Downward	None	None	None	None	None	None	Purchaser Motivation	Downward
Overall Comparability & Adjust.		**Superior**	**Downward**	**Superior**	**Downward**	**Similar**	**None**	**Inferior**	**Upward**	**Inferior**	**Upward**
Conclusion		Lower Than $109/BSF		Lower Than $117/BSF		Similar To $100/BSF		Higher Than $78/BSF		Higher Than $84/BSF	

Comparable Map



Index 1 – Blue Jays Way, Toronto: This index pertains to a land assembly situated on the southeast corner of King Street West and Blue Jays Ways. This index registered sold on August 7, 2014, for a total consideration of $78,800,017 representing a buildable rate per square foot of $109. The site was improved with an office building.

A Site Plan Application (No. 13 128023 STE 20 SA) was submitted on March 4, 2013 pertaining to the land in this transaction and adjacent parcels. The Application proposed the development of two mixed use towers of 44 and 48 storeys containing 1,035 units, which includes 122 proposed hotel units in the north tower podium. The development would have a total gross floor area of 724,148 square feet, including approximately 9,042 square feet of retail space, and would incorporate non-profit office space, a pedestrian pathway, museum, and hotel in 135,282 square feet of commercial space. The development would have 443 parking spaces.

The development proposed for this index of 724,148 square feet is larger to the Subject development of 409,774, requiring an upward adjustment as smaller projects typically attract a higher unit rate per square foot. At the time of sale, the property was similar in terms of improvements, thus requiring no adjustment for demolition costs.

This Index is considered to be situated in a superior location to the Subject given frontage onto the desirable retail corridor of King Street west. In this regard, a downward adjustment has been applied. This index is configured in a superior fashion to the Subject. In this regard, a downward adjustment has been applied. This index was the object of a development application, which is felt to be similar to the Subject, requiring no adjustment.

The index registered sold on August 7, 2014, since which time it is felt the residential development market has improved, requiring an upward adjustment. Finally, a downward adjustment is required to account for the purchaser's extra motivation to complete the property assembly. Overall, it is felt that the Subject would reasonably command a unit rate below the $109 per square foot of GFA, as indicated by this index.

Index 2 – 367-369 King Street West, Toronto: This index pertains to the sale of a high-density residential development site situated on the south side of King Street west, east of Spadina Avenue. This index registered sold on January 15, 2015, for a total consideration of $7,500,000 representing a buildable rate per square foot of $117. The property was improved with a two storey retail building.

A Rezoning Application (No. 12 272708 STE 20 OZ) and A Site Plan Application (No. 12 272712 STE 20 SA) were submitted on November 2, 2012 pertaining to the land in this transaction. The Applications proposed the development of a 15 storey, 62 unit residential condominium development with retail at grade. The development would have a total gross floor area of approximately 64,357 square

feet, including approximately 10,170 square feet of retail space and would have 0 parking spaces and 69 bicycle spaces.

The development proposed for this index of 64,357 square feet is smaller to the Subject development of 409,774, requiring a downward adjustment as smaller projects typically attract a higher unit rate per square foot. At the time of sale, the property was similar in terms of improvements, thus requiring no adjustment for demolition costs.

This Index is considered to be situated in a superior location to the Subject given frontage onto the desirable retail corridor of King Street west. In this regard, a downward adjustment has been applied. This index is configured in a similar fashion to the Subject. In this regard, no adjustment has been applied. This index was the object of a development application, which is felt to be similar to the Subject, requiring no adjustment.

The index registered sold on January 15, 2015, since which time it is felt the residential development market has remained stable, requiring no adjustment. Overall, it is felt that the Subject would reasonably command a unit rate below the $117 per square foot of GFA, as indicated by this index.

Index 3 – 19 Duncan Street, Toronto: This index pertains to the sale of a high-density residential development site located on the south side of Adelaide Street West, just east of the Subject. This index registered sold on February 10, 2015, for a total consideration of $47,050,000 representing a buildable rate per square foot of $100. The property was improved with a five storey office building.

No application had been submitted to the City of Toronto Planning Department as of the date of this sale, however, we have estimated, based on development densities in the area, that a development of approximately 470,000 square feet would be possible.

The development proposed for this index of 470,000 square feet is similar to the Subject development of 409,774, requiring no adjustment for size. At the time of sale, the property was similar in terms of improvements, thus requiring no adjustment for demolition costs.

This Index is considered to be similar in terms of location characteristics given that it is situated just east of the Subject. In this regard, no adjustment has been applied. This index is configured in a superior fashion to the Subject. In this regard, a downward adjustment has been applied. This index was not the object of a development application as of the date of sale, which is felt to be inferior to the Subject, requiring an upward adjustment.

The index registered sold on February 10, 2015, since which time it is felt that demand for residential development parcels has remained stable, requiring no adjustment. Overall, it is

felt that the Subject would reasonably command a unit rate generally in line with the $100 per square foot of GFA, as estimated for this index.

Index 4 – 40 Wellesley Street East, Toronto: This index pertains to the sale of a high density residential development site situated on the north side of Wellesley Street, east of Yonge Street. This index registered sold on November 3, 2014, for a total consideration of $19,270,000 representing a buildable rate per square foot of $78. The site was improved with a four storey office building.

An Official Plan Amendment and Rezoning Application (No. 05 212275 STE 27 OZ) was submitted on December 28, 2005 pertaining to the land in this transaction. The subsequently revised Application proposed the development of a 37 storey, 265 unit residential condominium development with retail at grade. The development would have a total gross floor area of approximately 248,380 square feet, including approximately 6,232 square feet of retail space and would have 109 parking spaces on 4 levels of underground parking.

The development proposed for this index of 248,380 square feet is smaller than the Subject development of 409,774, requiring a downward adjustment as smaller projects typically attract a higher unit rate per square foot. At the time of sale, the property was similar in terms of improvements, thus requiring no adjustment for demolition costs.

This index is considered to be in an inferior location to the Subject, given it is situated further north and is further removed from desirable amenities. In this regard, an upward adjustment has been applied. This index is configured in a comparable fashion to the Subject. In this regard, no adjustment has been applied. This index was the object of a development application, which is felt to be similar to the Subject, requiring no adjustment.

The index registered sold on November 3, 2014, since which time it is felt the market has improved, requiring an upward adjustment. Overall, it is felt that the Subject would reasonably command a unit rate higher than the $78 per square foot of GFA, as indicated by this index.

Index 5 – 56-65 Ontario Street, Toronto: This index pertains to a land assembly situated south of Richmond Street, west of Parliament Street. This index registered sold on July 31, 2014, for a total consideration of $16,915,000 representing a buildable rate per square foot of $84. The property was improved with a fours storey office building.

A Rezoning Application (No. 15 113777 STE 28 OZ) was submitted on February 9, 2015 pertaining to the land in this transaction and adjacent parcels. The Application proposed the development of a 25 storey, 277 unit residential condominium development with retail at grade. The existing building at 102 Berkeley Street would

remain as is and is not part of the development. The development would have a total gross floor area of approximately 200,220 square feet, including approximately 6,674 square feet of retail space and would have 176 parking spaces and 282 bicycle spaces.

The development proposed for this index of 200,220 square feet is smaller to the Subject development of 409,774, requiring a downward adjustment as smaller projects typically attract a higher unit rate per square foot. At the time of sale, the property was similar in terms of improvements, thus requiring no adjustment for demolition costs.

This index is considered to be in an inferior location to the Subject, given it is further removed from desirable amenities. In this regard, an upward adjustment has been applied. This index is configured in a comparable fashion to the Subject. In this regard, no adjustment has been applied. This index was the object of a development application, which is felt to be similar to the Subject, requiring no adjustment.

The index registered sold on July 31, 2014, since which time it is felt that demand for mixed-use development parcels has improved, requiring an upward adjustment. Finally, a downward adjustment is required to account for the purchaser's extra motivation to complete the property assembly. Overall, it is felt that the Subject would reasonably command a unit rate higher than the $84 per square foot of GFA, as indicated by this index.

The key comparable sales transacted between July 2014 and February 2015 for rates between $78 and $117 per square foot of estimated gross buildable area with an average rate of $96. The Subject features a strong location in proximity to downtown Toronto and convenient access to the amenities and transit options located along Adelaide Street West.

Although all the indices provide good comparisons of buildable rates for improved development sites in Downtown Toronto, Index 3 is the felt to be the best comparable given its close proximity to the Subject, similar improvements, and development potential. Overall due to the location, development timeline and size of the Subject, it is our opinion that the Subject would achieve a rate at the high end of the range indicated by the market comparables. A narrowed range of $95 to $105 per square foot is could be reasonably be achieved.

Given the Subject Property is a well located development site which is proposed for developed with a Gross Floor Area of 409,774 square feet, it is felt that a rate in the middle of the narrowed range would be appropriate. We have utilized a rate of $100.00, which is reflective of the Subject property development timeline, and location.

Based upon the foregoing, it is our opinion that the market value of the subject land by the Direct Comparison Approach, as at April 15, 2015 is:

409,774 square feet buildable @ $100.00 = $41,000,000(Rounded)

FORTY ONE MILLION DOLLARS

$41,000,000

Appendices

Appendix A	Contingent and Limiting Conditions
Appendix B	Definitions
Appendix C	Comparable Sales
Appendix D	Certification

APPENDIX A

CONTINGENT AND LIMITING CONDITIONS

Contingent and Limiting Conditions

1. This report has been prepared at the request of **John Neilas of Neilas Inc.** for the purpose of providing an estimate of the market value of **263 Adelaide Street West, Toronto, Ontario, for internal purposes.** It is not reasonable for any person other than the person or those to whom this report is addressed to rely upon this appraisal without first obtaining written authorization from **John Neilas of Neilas Inc.,** and the author of this report. This report has been prepared on the assumption that no other person will rely on it for any other purpose and all liability to all such persons is denied.

2. The estimated market value of the real estate, which is the object of this appraisal, pertains to the value of the **fee simple interest** in the real property. The property rights appraised herein exclude mineral rights, if any.

3. The concept of market value presumes reasonable exposure. The exposure period is the estimated length of time the asset being valued would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of valuation. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. The reasonable exposure period is a function not only of time and effort, but will depend on the type of asset being valued, the state of the market at the date of valuation and the level at which the asset is priced. (The estimated length of the exposure period needed to achieve the estimated market value is set forth in the Letter of Transmittal, prefacing this report).

4. The estimate of value contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value, especially if there was no reason to doubt its accuracy. Other empirical data required interpretative analysis pursuant to the objective of this appraisal. Certain inquiries were outside the scope of this mandate. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the following Contingent and Limiting conditions.

5. The property has been valued on the basis that title to the real estate herein appraised is good and marketable.

6. The author of this report is not qualified to comment on environmental issues that may affect the market value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government, or otherwise, and free of any environmental condition, past, present or future, that might affect the market value of the property appraised. If the party relying on this report requires information about environmental issues then that party is cautioned to retain an expert qualified in such issues. We

expressly deny any legal liability relating to the effect of environmental issues on the market value of the property appraised.

7. The legal description of the property and the area of the site were obtained from the Ontario Land Registry. Further, any plans or sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.

8. The property has been valued on the basis that the real estate is free and clear of all value influencing encumbrances, encroachments, restrictions or covenants except as may be noted in this report and that there are no pledges, charges, liens or special assessments outstanding against the property other than as stated and described herein.

9. The property has been valued on the basis that there are no outstanding liabilities except as expressly noted herein, pursuant to any agreement with a municipal or other government authority, pursuant to any contract or agreement pertaining to the ownership and operation of the real estate or pursuant to any lease or agreement to lease, which may affect the stated value or saleability of the subject property or any portion thereof.

10. The interpretation of the leases and other contractual agreements, pertaining to the operation and ownership of the property, as expressed herein, is solely the opinion of the author and should not be construed as a legal interpretation. Further, the summaries of these contractual agreements are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

11. The property has been valued on the basis that the real estate complies in all material respects with any restrictive covenants affecting the site and has been built and is occupied and being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto. (It is recognized there may be work orders or other notices of violation of law outstanding with respect to the real estate and that there may be certain requirements of law preventing occupancy of the real estate as described in this report. However, such circumstances have not been accounted for in the appraisal process).

12. Investigations have been undertaken in respect of matters regulating the use of the land. However, no inquiries have been placed with the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The subject property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of this property. To be certain of such compliance, further investigations may be necessary.

13. The property has been valued on the basis that there is no action, suit, proceeding or investigation pending or threatened against the real estate or affecting the titular owners of the property, at law or in equity or before or by any federal, provincial or municipal department, commission, board, bureau, agency or instrumentality which may adversely influence the value of the real estate herein appraised.

14. The data and statistical information contained herein were gathered from reliable sources and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.

15. The estimated market value of the property does not necessarily represent the value of the underlying shares, if the asset is so held, as the value of the share could be affected by other considerations. Further, the estimated market value does not include consideration of any extraordinary financing, rental or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary market value of the property, unless the effects of such special conditions, and the extent of any special value that may arise therefrom, have been described and measured in this report.

16. Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a Co-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership. For the purposes of our valuation, we have not made any adjustment for the value of a fractional interest.

17. In the event of syndication, the aggregate value of the limited partnership interests may be greater than the value of the freehold or fee simple interest in the real estate, by reason of the possible contributory value of non-realty interests or benefits such as provision for tax shelter, potential for capital appreciation, special investment privileges, particular occupancy and income guarantees, special financing or extraordinary agreements for management services.

18. Unless otherwise noted, the estimated market value of the property referred to herein is predicated upon the condition that it would be sold on a cash basis to the vendor subject to any contractual agreements and encumbrances as noted in this report as-is and where-is, without any contingent agreements or caveats. Other financial arrangements, good or cumbersome, may affect the price at which this property might sell in the open market.

19. Should the author of this report be required to give testimony or appear in court or at any administrative proceeding relating to this appraisal, prior arrangements shall be made beforehand, including provisions for additional compensation to permit adequate time for preparation and for any appearances which may be required. However, neither this nor any other of these assumptions and limiting conditions is an attempt to limit the use that might be made of this report should it properly become evidence in a judicial proceeding. In such a case, it is acknowledged that it is the judicial body,

which will decide the use of this report which best serves the administration of justice.

20. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this appraisal, cannot necessarily be relied upon as of any other date without subsequent advice of the author of this report.

21. The value expressed herein is in Canadian dollars.

22. This report is only valid if it bears the original signature(s) of the author(s).

23. These Contingent and Limiting Conditions shall be read with all changes in number and gender as may be appropriate or required by the context or by the particulars of this mandate.

APPENDIX B

DEFINITIONS

Definitions

Property Interests

Fee Simple

Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

Leased Fee Estate

An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lessor or the leased fee owner and leased fee are specified by contract terms contained within the lease.

Leasehold Estate

The right to use and occupy real estate for a stated term and under certain conditions; conveyed by a lease.

General Definitions

Adjusted or Stabilized Overall Capitalization Rate is usually derived from transactions with excessive vacancy levels or contract rents over/under market levels. In such cases, net operating income is "normalized" to market levels and the price adjusted to reflect expected costs required to achieve the projected net operating income.

The Cost Approach to value is based upon the economic principle of substitution, which holds that the value of a property should not be more than the amount by which one can obtain, by purchase of a site and construction of a building without undue delay, a property of equal desirability and utility.

Direct or Overall Capitalization refers to the process of converting a single year's income with a rate or factor into an indication of value.

The Direct Comparison Approach examines the cost of acquiring equally desirable and valuable substitute properties, indicated by transactions of comparable properties, within the market area. The characteristics of

the sale properties are compared to the subject property on the basis of time and such features as location, size and quality of improvements, design features and income generating potential of the property.

Discount Rate is a yield rate used to convert future payments or receipts into a present value.

Discounted Cash Flow Analysis offers an opportunity to account for the anticipated growth or decline in income over the term of a prescribed holding period. More particularly, the value of the property is equivalent to the discounted value of future benefits. These benefits represent the annual cash flows (positive or negative) over a given period of time, plus the net proceeds from the hypothetical sale at the end of the investment horizon.

Two rates must be selected for an application of the DCF process:

- The internal rate of return or discount rate used to discount the projected receivables;
- An overall capitalization rate used in estimating reversionary value of the asset.

The selection of the discount rate or the internal rate of return is based on comparing the subject to other real estate opportunities as well as other forms of investments. Some of the more common benchmarks in the selection of the discount rate are the current yields on long-term bonds and mortgage interest rates.

Exposure Time is the property's estimated marketing time prior to a hypothetical sale at market value on the effective date of the appraisal. Reasonable exposure time is a necessary element of a market value definition but is not a prediction of a specific date of sale.

Highest and Best Use - The purpose of a highest and best use analysis is to provide a basis for valuing real property. Highest and best use is defined by the Appraisal Institute of Canada as:

> *"that use which is most likely to produce the greatest net return over a period of time." The highest and best use must be legally permissible, physically possible, financially feasible and maximally productive.*

The Income Approach to value is utilized to estimate real estate value of income-producing or investment properties.

Internal Rate of Return is the yield rate that is earned or expected over the period of ownership. It applies to all expected benefits including the proceeds of sale at the end of the holding period. The IRR is the Rate of Discount that makes the net present value of an investment equal zero.

Market Value - The Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Institute of Canada define market value as:

> *"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus."*

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and acting in their own best interests;
- A reasonable time is allowed for exposure in the market; and
- Payment is made in cash in Canadian dollars or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Net Operating Income is the actual or anticipated net income remaining after all operating expenses are deducted from effective gross income before debt service and depreciation. Net Operating Income is usually calculated for the current fiscal year or the forthcoming year.

Overall Capitalization Rate is an income rate that reflects the relationship between a single year's net operating income expectancy and the total property price. The Overall Capitalization Rate converts net operating income into an indication of a property's overall value.

Reasonable Exposure Time - Exposure time is always presumed to precede the effective date of the appraisal. It may be defined as:

> **"The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate based upon an analysis of past events assuming a competitive and open market."**

A Yield Rate is applied to a series of individual incomes to obtain a present value of each.

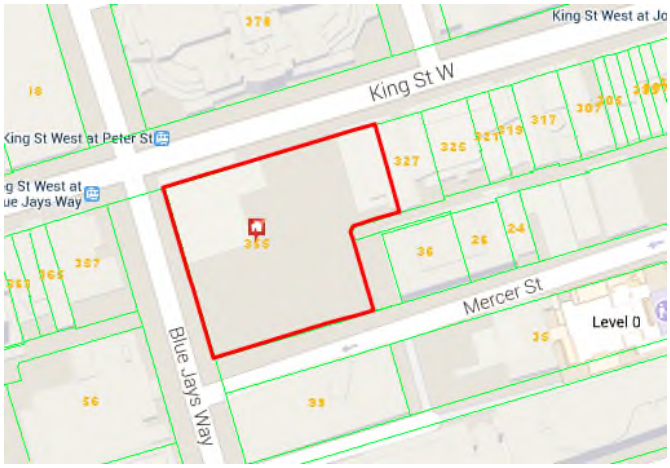
APPENDIX C

COMPARABLE SALES

Index No. 1

Blue Jays Way, Toronto, Ontario





Property Description

Property Type	Land
Property Sub-Type	Residential
Site Area	0.96 A
Topography	Level
Access/Exposure	Very Good
Servicing	Serviced
Site Improvements	Improved

Location / Legal / Land Use

Address	Blue jays Way
Municipality	Toronto
Province	Ontario
Legal	Part of Back Road (Closed by By-law 539-2014) on the North Side of Mercer Street, Plan 57, designated as Part 1 on Reference Plan 66R-26134, City of Toronto

Transaction Details

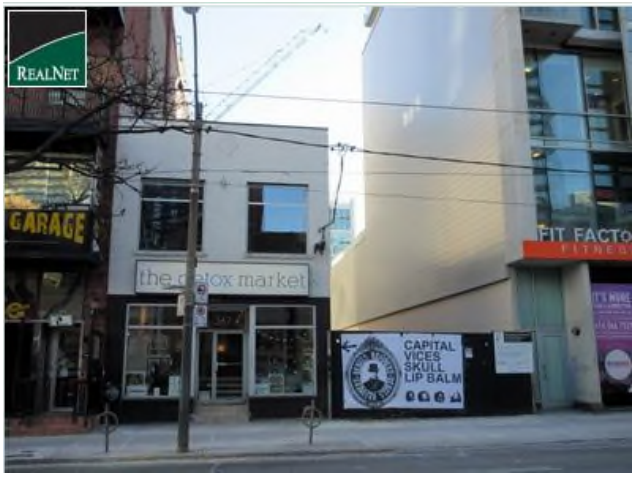
Sale Price	$78,800,017 (100% Equivalent)
Interest Transferred	100 %
Sale Price per BSF	$109
Status	Closed
Date	07-Aug-14
Vendor	Ed Mirvish Enterprises Limited
Purchaser	Easton Group of Companies and Remington Group
Document No.	n/a
Rights Conveyed	Fee Simple

Comments

A Site Plan Application (No. 13 128023 STE 20 SA) was submitted on March 4, 2013 pertaining to the land in this transaction and adjacent parcels. The Application proposed the development of two mixed use towers of 44 and 48 storeys containing 1,035 units, which includes 122 proposed hotel units in the north tower podium. The development would have a total gross floor area of 724,148 square feet, including approximately 9,042 square feet of retail space, and would incorporate non-profit office space, a pedestrian pathway, museum, and hotel in 135,282 square feet of commercial space. The development would have 443 parking spaces.

Index No. 2

367-369 King Street West, Toronto, Ontario





Property Description

Property Type	Land
Property Sub-Type	Residential
Site Area	0.108 A
Topography	Level
Access/Exposure	Good
Servicing	Serviced
Site Improvements	Improved

Location / Legal / Land Use

Address	367-369 King Street West
Municipality	Toronto
Province	Ontario
Legal	21413-0060: Part of Lots 5 & 6 on Plan D263, designated as Part 1 on Plan 64R-3978
	21413-0061: Part of Lots 4 & 5 on Plan D263, designated as Part 1 on Plan 64R-15903

Transaction Details

Sale Price	$7,500,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per BSF	$117
Status	Closed
Date	15-Jan-15
Vendor	TAS Designbuild and Lifetime
Purchaser	Main and Main Developments Inc.
Document No.	n/a
Rights Conveyed	Fee Simple

Comments

A Rezoning Application (No. 12 272708 STE 20 OZ) and A Site Plan Application (No. 12 272712 STE 20 SA) were submitted on November 2, 2012 pertaining to the land in this transaction. The Applications proposed the development of a 15 storey, 62 unit residential condominium development with retail at grade. The development would have a total gross floor area of approximately 64,357 square feet, including approximately 10,170 square feet of retail space and would have 0 parking spaces and 69 bicycle spaces.

Index No. 3

19 Duncan Street, Toronto, Ontario





Property Description

Property Type	Land
Property Sub-Type	Residential
Site Area	0.59 A
Topography	Level
Access/Exposure	Very Good
Servicing	Serviced
Site Improvements	Improved

Location / Legal / Land Use

Address	19 Duncan Street
Municipality	Toronto
Province	Ontario
Legal	Part of Block C on Plan 223E, as described in Instrument No. ES61173

Transaction Details

Sale Price	$47,050,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per BSF	$100
Status	Closed
Date	10-Feb-15
Vendor	An individual(s) acting in his/her own
Purchaser	Allied Properties REIT and Westbank
Document No.	n/a
Rights Conveyed	Fee Simple

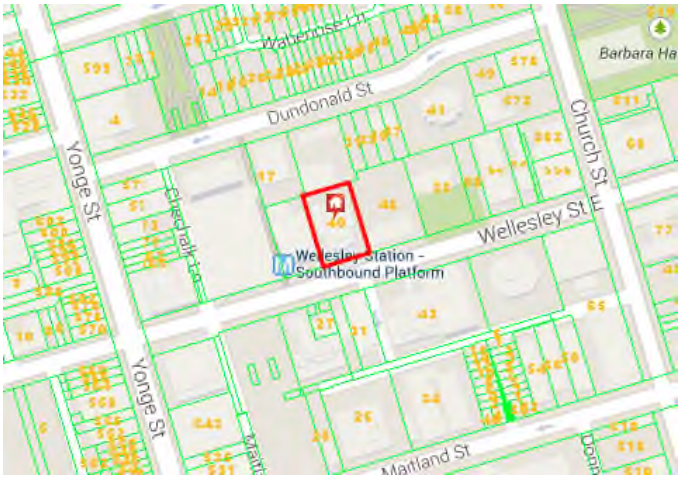
Comments

No application had been submitted to the City of Toronto Planning Department as of the date of this sale, however, we have estimated, based on development densities in the area, that a development of approximately 470,000 square feet would be possible.

Index No. 4

40 Wellesley Street East, Toronto, Ontario





Property Description

Property Type	Land
Property Sub-Type	Residential
Site Area	0.33 A
Topography	Level
Access/Exposure	Good
Servicing	Serviced
Site Improvements	Improved

Location / Legal / Land Use

Address	40 Wellesley Street East
Municipality	Toronto
Province	Ontario
Legal	Part of Park Lot 8, Concession 1, From the Bay, Township of York, designated as Part 1 on Plan 63R-3412

Transaction Details

Sale Price	$19,270,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per BSF	$78
Status	Closed
Date	3-Nov-14
Vendor	862015 Ontario Inc.
Purchaser	Cresford Developments
Document No.	n/a
Rights Conveyed	Fee Simple

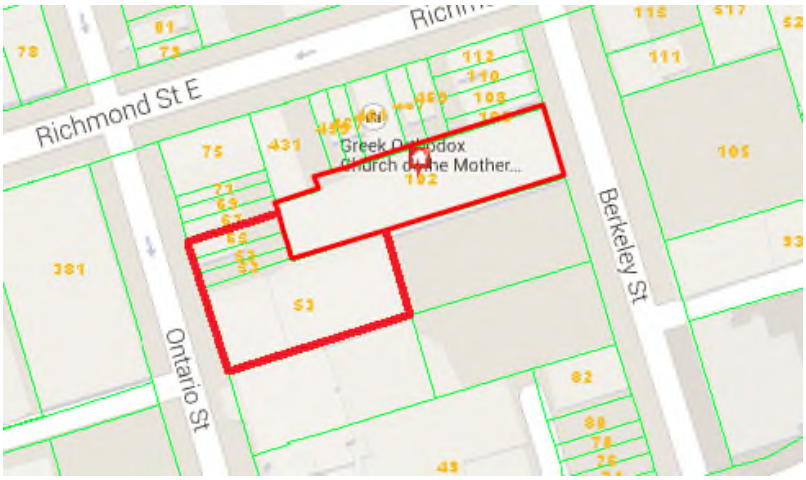
Comments

An Official Plan Amendment and Rezoning Application (No. 05 212275 STE 27 OZ) was submitted on December 28, 2005 pertaining to the land in this transaction. The subsequently revised Application proposed the development of a 37 storey, 265 unit residential condominium development with retail at grade. The development would have a total gross floor area of approximately 248,380 square feet, including approximately 6,232 square feet of retail space and would have 109 parking spaces on 4 levels of underground parking.

Index No. 5

53-65 Ontario Street, Toronto, Ontario





Property Description

Property Type	Land
Property Sub-Type	Residential
Site Area	0.35 A
Topography	Level
Access/Exposure	Very Good
Servicing	Serviced
Site Improvements	Improved

Location / Legal / Land Use

Address	53-65 Ontario Street
Municipality	Toronto
Province	Ontario
Legal	21091-0010: Parcel 10-5, Section A7A, Part of Lot 10, Plan 7A, Toronto, designated as Part 4 on Plan 66R-17669 1091-0011:

Transaction Details

Sale Price	$16,915,000 (100% Equivalent)
Interest Transferred	100 %
Sale Price per BSF	$84
Status	Closed
Date	31-Jul-14
Vendor	Double D-Cup Inc.
Purchaser	Lamb Development Corp.
Document No.	n/a
Rights Conveyed	Fee Simple

Comments

A Rezoning Application (No. 15 113777 STE 28 OZ) was submitted on February 9, 2015 pertaining to the land in this transaction and adjacent parcels. The Application proposed the development of a 25 storey, 277 unit residential condominium development with retail at grade. The existing building at 102 Berkeley Street would remain as is and is not part of the development. The development would have a total gross floor area of approximately 200,220 square feet, including approximately 6,674 square feet of retail space and would have 176 parking spaces and 282 bicycle spaces.

APPENDIX D

CERTIFICATION

Certification

RE: 263 ADELAIDE STREET WEST, TORONTO, ONTARIO.

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute of Canada (A.I.C.).
- Matthew Bruchkowsky conducted an exterior inspection of the Subject property on **April 15, 2015**.
- I have the knowledge and experience to complete the assignment competently.
- The Appraisal Institute of Canada has a Mandatory Recertification Program for designated members. As of the date of this report, **Matthew Bruchkowsky** has fulfilled the requirements of the program.
- The value estimate contained in this report applies as at the effective date of valuation as defined within the body of this report.

Final Estimate of Value

Based on our analysis, the market value of the Fee Simple Interest in the Subject Property, subject to the underlying contingent and limiting conditions outlined herein as at **April 15, 2015**, based on an exposure time of one to three months, the market value of the property is:

FORTY ONE MILLION DOLLARS
$41,000,000

COLLEIRS INTERNATIONAL REALTY ADVISORS INC.



Matthew Bruchkowsky, AACI, P. App.
Senior Director
Valuation & Advisory Services, Toronto

HI-RISE CAPITAL LTD.

File # 10-1010

December 4, 2013

Jim Neilas
Adelaide Street Lofts Inc.
200 Adelaide Street West, Suite 401
Toronto, ON M6R 1W7

Dear Mr. Neilas:

Re: Loan Commitment (the "Commitment") on a project having a Municipal address of 263 Adelaide Street West, Toronto, ON (hereinafter referred to as the "Property") with a proposed 340,000 square foot mixed use project to be built (the "Project").

This is to confirm that Hi-Rise Capital Ltd., ("HRC" and/or the "Lender") is prepared to provide you with a mezzanine loan for the above noted Property on the terms and conditions set out in this Commitment. All documentation required in this Commitment to be satisfactory to HRC.

1. Nature and Purpose of Loan:

The purpose of the loan (the "Loan") will be to develop and construct the Project. It is being represented to HRC that the Project when built out will be valued at no less than $114,000,000.

2. Borrower:

Adelaide Street Lofts Inc. ("the Borrower(s)")

3. Principal:

$25,000,000.00 (the "Loan"). The Loan will be advanced in accordance within the parameters set out in this Commitment. The Lender will register a charge in the amount of $40,000,000 in the event it has to advance more than the anticipated amount required to fund construction.

Initial
Initial

4. Interest and Payment:

18% per annum, calculated and payable monthly on account of interest only. The Lender will accept payments equal to 10.5% interest but will accrue the interest on the loan at the full rate set out above.

5. Term:

48 months from the date of advance.

6. Privileges:

Open to prepayment at any time with no penalty.

7. Partial Discharge

The Borrower may partially discharge the loan if the Borrower elects to pay part of the loan, the proceeds received by the Lender shall be applied first to the portion of the principal earning interest only, and then to pay principal on the portion of the loan where the Lender has elected to receive distributions. In which case the Lender will no longer be entitled to receive the distributions from those units, however, the Lender will still be entitled to receive its proportionate share of the profit.

8. Advances Under this Mortgage:

Advances are to be made as and when the Borrower makes draw request and subject to the Lender's usual draw requirements.

9. Application Fee:

$0.00 non-refundable application fee (the "Application Fee") payable upon the execution of this Commitment and applied toward the lender fee on first advance of the Loan.

10. Special Conditions:

None.

11. Other Requirements:

None.

12. Prior Encumbrances:

Current first Mortgage (VTB) in the amount of $14,300,000.

The first mortgage may increase from time to time as the Project progresses. The Lender anticipates a first mortgage construction loan of approximately 75% of the final project value. If the project increases this amount may also increase. The Lender will review and confirm prior permitted encumbrances at that time.

Initial

Initial

13. Lender Fee:

14% of the gross amount of the Loan as a Lender Fee and 2% of the gross amount advanced under the Loan as a marketing fee to market and syndicate the offering (the "Lender Fee") deemed earned upon acceptance of this Commitment by the Borrower.

The commitment Fee is considered earned upon the acceptance of the Commitment by the Borrower and will be credited against the Lender Fee at closing.

If the Loan is not advanced due to a default by the Lender, the Commitment Fee will be refunded to the Borrower without deduction or interest. If the Loan is not advanced for any reason not connected to a default by the Lender, the Commitment Fee will not be refunded and will be applied against the Lender Fee set out herein, which Lender Fee shall be considered earned in full.

14. Environmental

A Phase I environmental report (the "Environmental Report") for the Property must be completed by a company of the Lender's choice, satisfactory to the Lender. The Lender acknowledges a Phase I Environmental Report received from McClymont & Rak Engineers, Inc. recommends further testing and hereby waive the requirement.

15. Appraisal

Satisfactory appraisal (the "Appraisal Report") valuing the completed Project at no less than $114,000,000.00 from an Appraiser of HRC's choice or satisfactory to HRC and addressed to HRC for the purposes of mortgage financing or by a letter of transmittal. (Received)

16. Mortgage Broker:

None.

17. Security:

The Borrower will deliver and/or execute all reasonable security documentation (the "Security) required by the Lender and its solicitors in a form, scope and substance satisfactory to the Lender and its solicitors which shall include but not be limited to:

i. Second Mortgage/Charge of land for $40,000,000.00 granting a secured charge against the Property subject only to those encumbrances approved by the Lender and its solicitors, in their sole discretion;
ii. A General Security Agreement;
iii. A General Assignment of Rents on the Property.

Initial

Initial

18. Documentation: (Received)

All documentation (the "Due Diligence Documents") referred to below and elsewhere herein required to be given to the Lender or its solicitors shall be delivered to the Lender within 20 business days of execution of the Commitment, failing which the Lender may terminate the agreement and the Borrower will forfeit all fees and retainers paid by to the Lender.

i. A signed HRC loan and net worth application for the Borrower(s) and Guarantor(s) satisfactory to the Lender;
ii. A legible copy of the original Agreement of Purchase and Sale for the Property with all schedules, if applicable;
iii. Property Taxes: confirmations of no tax arrears prior to first advance;
iv. All leases as related to the Property;
v. Corporate documents of the Borrower(s).

19. Legal Fees:

Borrower shall be responsible for all legal fees of the Lender relating to this transaction. A deposit of $0.00, on account only, will be required by the HRC solicitor in connection to this Commitment, and is non-refundable.

20. Zoning and Approvals:

The property must comply with all relevant by-laws for its present uses and without limiting the generality of the foregoing, the Property must have zoning that permits continuation of the existing use.

21. Closing Date:

December 6, 2013 (the "Closing Date"). In the event the transaction is not closed on the Closing date as extended by the Lender in its sole discretion due to the fact that the Borrower does not deliver the documentation set forth herein, including all documents, security documents and any and all other documentation required or in the event the Borrower is otherwise in breach of any of its covenants or representations set forth herein or there is an unremedied event of default as at the Closing Date, interest will commence to be computed from the Closing Date if the Lender at its sole option elects to proceed to close on the Loan and to provide further extensions. In such event, however, the Lender may elect to terminate this Commitment, forfeit all application fees, Commitment Fees, solicitor fee retainers without prejudice to its right to cover the balance of such fees and any other damages resulting from such termination.

22. Acceptance Date:

The Lender must have a signed copy of this document, along with the deposit required in this commitment by 5:00PM, December 4, 2013.

23. Schedules:

The following schedules shall form part of this Commitment:

Initial

Initial

Schedule A – General Terms

Yours truly,
Hi-Rise Capital Ltd..

John Neilas
Commercial Mortgages

We accept the above-noted Mortgage Commitment and agree to be bound by the aforesaid terms and conditions on this 5th day of November 2013.

BORROWER(S):

Adelaide Street Lofts Inc.

Per: _____
I have the authority to bind the Company

Initial
Initial

Schedule A

1. Insurance:

Insurance for the Property must be satisfactory to the Lender prior to any advance. Third party liability insurance for the Properties must be satisfactory to the Lender and evidence of insurance must be provided on closing. The Borrower shall pay a consulting fee to CANRISC as per CANRISC fee schedule to provide the Lender an opinion on the adequacy of the insurance policy in place.

The Borrower shall be required to provide to the Lender with a full insurance binder with a certified copy of a policy or policies of insurance containing the requirement of insurance under the Commitment.

2. Real Estate Taxes:

i. All Real Estate Taxes owing to date must be paid in full at or prior to closing; and
ii. Unless otherwise directed, 1/12 of the Real Estate Taxes as estimated by the Lender for the term of the loan must be paid to the Lender monthly, along with the mortgage payments. The Lender will then remit the appropriate municipality as due. Borrower will adjust tax payments and remit to Lender as necessary.

3. Merger:

It is understood that the terms and conditions of this offer to mortgage will not merge on closing and will survive closing.

4. Other Requirements:

None.

5. Inspection:

Commitment is conditional upon satisfactory inspection of the Property by the Lender and if required a meeting with the Borrower(s) and Guarantor(s).

6. Extra Charges:

iii. $250.00 fee plus HST for any N.S.F. cheque or non payment;
iv. $250.00 charge plus HST for a demand letter;
v. $250.00 fee plus HST for the preparation of a mortgage statement;
vi. $250.00 fee plus HST in the event that the Borrower fails to provide proof of insurance on an annual basis;
vii. $250.00 fee plus HST for the preparation of the Discharge of Charge.

Initial _____
Initial _____

7. Interest Calculation:

For the purpose of the calculation of interest, any payment of principal received after 1:00PM shall be deemed to have been received on the next following banking day.

8. Work Order Clearance:

Work orders on the Property from any governmental body will not be accepted. Borrower will provide the appropriate authorization directed to the Province or Municipality to release any information in their possession.

9. Condominium Act:

Borrower to comply with all obligations under the Act, and is to release any and all documentation related to the condominium corporation as reasonably request by the Lender and or its solicitors prior to funding or as requested during the term of the Loan.

10. Survey

We must receive a satisfactory survey no later than 5 days from the date of execution of this commitment.

11. Title Insurance:

The Lender shall require title insurance with a title insurance company as its solicitors direct.

12. Warranty:

The Vendor and the Borrower must provide a warranty on closing that they are not aware of any environmental problems relating to the Property and if any occur, the Borrower must undertake to remedy any environmental problems after closing or the mortgage may be called at the Lender's option.

13. Title:

Title to the property must be satisfactory to the lender and the Lender's solicitors. Borrower will provide and execute all corporate supporting documentation required by the Lender's solicitor if title to the Property is in the name of a corporation.

14. Construction Lien Act:

The Borrowers and Guarantors shall execute any or all documentation required by the Lender or Lender's Solicitor with respect to the Construction Lien Act, if applicable.

Initial____

Initial

15. Assumability:

Mortgage is payable in full at the Lender's option if there is a change in title.

16. Credit:

The Lender must obtain a satisfactory credit background and history report on the Borrower(s) and without limiting the generality of this term, the Lender may request credit information from any source it deems reliable for the purpose of assessing the creditworthiness of the Borrower(s). The Lender may provide or make accessible to its investors, co-lenders, and any other persons or entity it deems appropriate all credit information obtained in connection with this loan application.

17. Representations:

This Commitment is based on the representations made to HRC by the Borrower concerning the Project. Any material misrepresentations shall constitute a default under the Commitment and the Loan.

18. Discharge of Mortgage:

The Borrower will be responsible for the discharge of any existing mortgages other than the prior encumbrances, if any, set out in and approved herein.

19. Severability:

Should any clause and/or clauses contained in the Mortgage be found to be illegal, void as against public policy or unenforceable in law, the offending clause or clauses as the case may be, is and or are to be severed from this Mortgage and deemed never to be a part of the Mortgage.

20. Default of Other Charges:

In the event that the Borrower is in default in any other Mortgage registered against the property herein charged, the Borrower shall be deemed to be in default under this Mortgage and the Lender shall have all of the remedies contained herein for a default under the Mortgage.

21. Management Fee:

The mortgagees or their agents will be entitled to a management fee based on 5% of the mortgage principal plus HST, which fee the Borrower(s) acknowledge is a reasonable estimate of the fees to be incurred, which amount is deemed not to be a penalty, in the event that the Lender or its agents take possession of the subject property as a result of default under the mortgage. This clause is also deemed to be proper notice to any subsequent chargee or lien holder of the above-noted fee in the event of the chargee's default.

22. Secondary Financing:

Initial

Initial

Borrower will not be permitted to charge the Property or the corporate entity owning the Property with or subordinate debt without the express written consent of the Lender.

23. Assignment:

The Borrower may not assign, transfer, or otherwise dispose of the Commitment and the Security without the Lender's prior consent. However, the Lender may assign, transfer or assign the Commitment and the Security in the whole or part without the consent of the Borrower. The Borrower hereby agrees that the Lender may disclose all information and documents relating to the Security within the possession of the Lender to any prospective assignee or transferee.

24. Advertising:

The Lender shall be permitted to advertise its role in this transaction during the term of the Loan, including, but not limited to posting signage on the Property or Properties as the case may be.

25. Syndication:

It is understood by the Borrower that HRC may at its sole option syndicate all or part of this Loan with any third party at its sole option. Furthermore, HRC shall have five business days from the date of execution of this agreement to syndicate the mortgage loan failing which this Commitment shall become null and void. This condition must be waived by HRC in writing.

Initial

Initial

HI-RISE CAPITAL LTD.

June 22, 2015

John Neilas
Adelaide Street Lofts Inc.
200 Adelaide Street West, Suite 401
Toronto, ON M5H 1W7

Dear Mr. Neilas:

Re: Amendment to Loan Commitment dated December 4, 2013 on a project having a municipal address of 263 Adelaide Street West, Toronto, Ontario - File # 10-1010

The following amending agreement (the "**Amending Agreement**") amends and restates the terms and conditions of the Loan provided to Adelaide Street Lofts Inc. (the "**Borrower**") pursuant to the loan commitment dated December 4, 2013 (the "**Loan Agreement**"):

1. **Definitions from Loan Agreement.** Capitalized terms defined in the Loan Agreement have the same meanings in this Amending Agreement unless otherwise defined herein or the context expressly or by necessary implication requires otherwise. This Amending Agreement is referenced herein as the "**Amending Agreement**". For greater certainty, this Amending Agreement amends the Loan Agreement and the term "Agreement", as defined in the Loan Agreement, includes (unless the context expressly or by necessary implication requires otherwise) this Amending Agreement to the extent of such amendments.

2. **Headings.** The insertion of headings in this Amending Agreement is for convenience of reference only and shall not affect the interpretation of this Amending Agreement.

3. **Principal.** The text in Section 3 of the Loan Agreement is deleted in its entirety and replaced with the following text:

   "$60,000,000 (the "**Loan**"). The Loan will be advanced in accordance with the parameters set out in this Commitment. The Lender will register a charge in the amount of $60,000,000."

4. **Security.** The text in Section 17(i) of the Loan Agreement is deleted in its entirety and replaced with the following text:

   "Second Mortgage/Charge of land for $60,000,000 granting a secured charge against the Property subject only to those encumbrances approved by the Lender and its solicitors, in their sole discretion;"

5. **Governing Documents.** Unless otherwise stated, the amendments outlined above are in addition to the terms and conditions of the Loan Agreement. Save and except as expressly amended by this Amending Agreement all other terms and conditions of the Loan Agreement remain in full force and effect unamended.

6. **Further Assurances.** The Borrower shall from time to time promptly, upon the request of the Lender, take or cause to be taken such action, and execute and deliver such further documents as may be reasonably necessary or appropriate to give effect to the provisions and intent of this Amending Agreement.

7. **Time of the Essence.** Time shall be of the essence of this First Amending Agreement.

8. **Counterparts.** This Amending Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument. This Amending Agreement may be executed and delivered by facsimile transmission or PDF and each of the parties hereto may rely on such facsimile signature or PDF as though that facsimile signature or PDF were an original hand-written signature.

9. **Governing Law.** This Amending Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and of Canada applicable therein and shall be treated in all respects as an Ontario contract.

Yours truly,
Hi-Rise Capital Ltd.

John Neilas
ASO

Agreed to on this 22 day of June, 2015.

Adelaide Street Lofts Inc.

John Neilas, ASO

200 Adelaide Street West, Suite 401, Toronto, ON M5H 1W7
Tel (416) 865-3398 x 244 Fax (416) 865-3399

MORTGAGE BROKERS ERRORS AND OMISSIONS LIABILITY POLICY

THIS POLICY IS A CLAIMS MADE AND REPORTED POLICY. EXCEPT AS OTHERWISE PROVIDED HEREIN, THIS POLICY COVERS ONLY CLAIMS FIRST MADE AGAINST THE **INSUREDS** AND REPORTED TO THE **INSURER** DURING THE **POLICY PERIOD** OR ANY APPLICABLE EXTENDED REPORTING PERIOD. THE LIMIT OF LIABILITY AVAILABLE TO PAY FOR JUDGMENTS OR SETTLEMENTS SHALL NOT BE REDUCED BY AMOUNTS INCURRED FOR **CLAIMS EXPENSES**.

DECLARATIONS

Policy Number: 7600524

Item 1.	**Named Insured:**	Hi-Rise Capital Ltd.	
	Named Insured's Address:	401 – 200 Adelaide Street West, Toronto, Ontario, M5H 1W7	
Item 2.	**Policy Period:**	From: January 1, 2015 To: January 1, 2016	
		Both dates at 12:01 a.m. at standard time at the **Named Insured's** Address	
Item 3.	Limits of Liability:	$2,500,000 $5,000,000	each **claim** policy aggregate
Item 4.	Deductible:	$100,000	each **claim**
Item 5.	Premium: Minimum Retained Premium:	$28,100 Non-applicable	
Item 6.	**Retroactive Date**:	Non-applicable	
Item 7.	Endorsements:	1, 2, 3	

These Declarations, the attached policy terms, the endorsements referred to in Item 7. above and the applicable **application** constitute the entire policy.

In witness whereof, the **Insurer** has caused this policy to be countersigned by a duly authorized representative of the **Insurer**.

ROYAL & SUN ALLIANCE
INSURANCE COMPANY OF CANADA

January 2, 2015
Date:

Authorized Representative

SOLICITOR'S CERTIFICATE OF TITLE AND FINAL REPORT

To:	Hi-Rise Capital Ltd. 200 Adelaide Street West, Suite 401 Toronto, Ontario M5H 1W7
From:	Garfinkle Biderman LLP Barristers & Solicitors 1 Adelaide Street East, Suite 801 Toronto, Ontario M5C 2V9 its Solicitors Herein
Date:	April 2, 2015
Legal Description:	FIRSTLY: Part of Lot 16, Concession 3, Trafalgar SDS and Part of RDAL between Lots 15 and 16, Concession 3, Trafalgar SDS, as Closed by By-Law 608, Town of Oakville, PIN 24813-0286 (LT) and municipally known as 54 Shepherd Road, Oakville, Ontario, title to which is held by 54 Shepherd Road Inc.; and SECONDLY: Part of Lot 16, Concession 3, Trafalgar SDS, Town of Oakville and municipally known as 60 Shepherd Road, Oakville, Ontario, title to which is held by 60 Shepherd Road Inc.
Municipal Address:	FIRSTLY: 54 Shepherd Road, Oakville, Ontario SECONDLY: 60 Shepherd Road, Oakville, Ontario
Mortgagor:	54 Shepherd Road Inc. and 60 Shepherd Road Inc.
Covenantor or Guarantor:	N/A
Additional/Collateral Security:	N/A
New Mortgage Amount:	$25,000,000.00
Registration Date:	February 25, 2015
Agreement Amending Mortgage Dated:	February 17, 2015
Registration Number:	HR1249497
Registry District	Halton Land Registry Office (No. 20)

TITLE CERTIFICATION:

We have made a search of title to the lands described in the above mortgage and conducted such further searches, inquiries and examinations as we considered necessary and now report as follows:

The Policy of Title Insurance issued by FCT has been amended to reflect the increase of the mortgage. A copy of the amended is enclosed herewith.

We confirm that the said Notice to Amend the mortgage has been drawn and executed and the transaction completed in accordance with the instructions which we have received and has been registered in the proper Land Registry Office.

We are enclosing the following documents(s):

A. Agreement Amending Mortgage

Registered as Instrument No. HR1249497 on the 25th day of February, 2015

B. Policy of Title Insurance - Amendment

Issued by: Stewart Title Guaranty Company
Policy No. M-7762 150746

C. Sheriff's or Execution Certificate

Date: December 17, 2014
Number: 25191399-6372954B

D. Other Documents:

1. Direction and Authorization to register the Notice Amended Charge by electronic means executed by Hi-Rise Capital Ltd..
2. Direction and Authorization to register the Notice Amended Charge by electronic means executed by Borrowers.
3. Agreement Amending Charge
4. Acknowledgement of Prior Security.
5. Authorizing Resolution of the Borrower (x2).
6. Certificate of Status of the Borrower Corporation (x2).
7. Certificate of Non-Restriction of the Borrwer Corporation (x2).
8. Certificate of Incumbency of the Borrower Corporation (x2).
9. Consent to act re mortgage.
10. Solicitor's Identification Verification Form (x2).
11. Registered Postponement of Interest.

Garfinkle, Biderman LLP

Per: _____
Barry M. Polisuk

Request ID: 012568481
Demande n°:
Transaction ID: 042475893
Transaction n°:
Category ID: CT
Catégorie:

Province of Ontario
Province de l'Ontario
Ministry of Government Services
Ministère des Services gouvernementaux

Date Report Produced: 2010/10/04
Document produit le:
Time Report Produced: 15:49:07
Imprimé à:

Certificate of Incorporation
Certificat de constitution

This is to certify that

Ceci certifie que

ADELAIDE STREET LOFTS INC.

Ontario Corporation No.

Numéro matricule de la personne morale en Ontario

002259079

is a corporation incorporated, under the laws of the Province of Ontario.

est une société constituée aux termes des lois de la province de l'Ontario.

These articles of incorporation are effective on

Les présents statuts constitutifs entrent en vigueur le

OCTOBER 04 OCTOBRE, 2010

Director/Directrice
Business Corporations Act/Loi sur les sociétés par actions

Request ID / *Demande n°*: 12568481

Ontario Corporation Number / *Numéro de la compagnie en Ontario*: 2259079

FORM 1 / *FORMULE NUMÉRO 1*

BUSINESS CORPORATIONS ACT / *LOI SUR LES SOCIÉTÉS PAR ACTIONS*

ARTICLES OF INCORPORATION
STATUTS CONSTITUTIFS

1. The name of the corporation is: / *Dénomination sociale de la compagnie:*

ADELAIDE STREET LOFTS INC.

2. The address of the registered office is: / *Adresse du siège social:*

200 ADELAIDE STREET WEST Suite 401

(Street & Number, or R.R. Number & if Multi-Office Building give Room No.)
(Rue et numéro, ou numéro de la R.R. et, s'il s'agit édifice à bureau, numéro du bureau)

TORONTO ONTARIO
CANADA M5H 1W7
(Name of Municipality or Post Office) / *(Nom de la municipalité ou du bureau de poste)* (Postal Code/*Code postal*)

3. Number (or minimum and maximum number) of directors is: / *Nombre (ou nombres minimal et maximal) d'administrateurs:*

Minimum 1 Maximum 10

4. The first director(s) is/are: / *Premier(s) administrateur(s):*

First name, initials and surname *Prénom, initiales et nom de famille*	Resident Canadian State Yes or No *Résident Canadien Oui/Non*	Address for service, giving Street & No. or R.R. No., Municipality and Postal Code *Domicile élu, y compris la rue et le numéro, le numéro de la R.R., ou le nom de la municipalité et le code postal*
* JIM NEILAS	YES	200 ADELAIDE STREET WEST Suite 401 TORONTO ONTARIO CANADA M5H 1W7

Request ID / *Demande n°*	Ontario Corporation Number *Numéro de la compagnie en Ontario*
12568481	2259079

5. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.
Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la compagnie.

None

6. The classes and any maximum number of shares that the corporation is authorized to issue:
Catégories et nombre maximal, s'il y a lieu, d'actions que la compagnie est autorisée à émettre:

An unlimited number of Common Shares.

Request ID / *Demande n°*	Ontario Corporation Number *Numéro de la compagnie en Ontario*
12568481	2259079

7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:
Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:

None

Request ID / *Demande n°*	Ontario Corporation Number *Numéro de la compagnie en Ontario*
12568481	2259079

8. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:
L'émission, le transfert ou la propriété d'actions est/n'est pas restreinte. Les restrictions, s'il y a lieu, sont les suivantes:

No securities of the Corporation, other than non-convertible debt securities, if any, shall be transferred without (i) the express approval of the board of directors of the Corporation, to be signified by a resolution duly passed at a meeting of the board of directors or by instrument or instruments in writing signed by all of the directors, or (ii) the express approval of the shareholders of the Corporation entitled to vote at a meeting, to be signified by a resolution duly passed at a meeting of the shareholders or by instrument or instruments in writing signed by all of the shareholders.

Request ID / *Demande n°*	Ontario Corporation Number *Numéro de la compagnie en Ontario*
12568481	2259079

9. Other provisions, (if any, are):
Autres dispositions, s'il y a lieu:

None

Request ID / *Demande n°*: 12568481

Ontario Corporation Number / *Numéro de la compagnie en Ontario*: 2259079

10. The names and addresses of the incorporators are
Nom et adresse des fondateurs

First name, initials and last name or corporate name / *Prénom, initiale et nom de famille ou dénomination sociale*

Full address for service or address of registered office or of principal place of business giving street & No. or R.R. No., municipality and postal code
Domicile élu, adresse du siège social au adresse de l'établissement principal, y compris la rue et le numéro, le numéro de la R.R., le nom de la municipalité et le code postal

* JIM NEILAS

200 ADELAIDE STREET WEST Suite 401

TORONTO ONTARIO
CANADA M5H 1W7

APPENDIX E

ADDITIONAL DOCUMENTS

APPENDIX "E"

The following documents will be delivered to the investor within ten days of execution of the investor documents and registration of your investment. The documents will be sent in the form of a closing book with excerpts only from relevant reports.

SECONDARY DOCUMENTS

1. Consultant Reports

   A. Appraisal Report
   B. Phase I Environmental Site
   C. Boundary and Topographical Survey
   D. Planning Rationale Report
   E. Heritage Impact Assessment
   F. Traffic Impact Study
   G. Parking Justification Study
   H. Functional Servicing & Stormwater Management Report
   I. Stage 1 Archeological Resource Assessment
   J. Preliminary Structural Wind Load Review
      Pedestrian Level Wind Study
   K. Tree Inventory and Preservation Plan
   L. Development Approval Application

2. KingSett Mortgage Corporation (First Mortgage)
3. Hi-Rise Capital Ltd. (Second Mortgage)

APPENDIX P

Appendix "P"

Distribution Summary

Available Funds Sale Proceeds less priority amounts)	45,701,725.33
Less: Registered Claims	23,745,860.20
Available for Non-Registered Investor Claims	21,955,865.13
Total Non-Registered Investor Claims	50,015,104.75
Percentage Recovery (Principal & Interest)	43.8985%
Percentage Recovery (Principal Only)	62.7779%

APPENDIX Q

Appendix "Q"

Distribution Plan Approval Notice

Notice of Proposed Distribution Plan and Treatment of Investors in Hi-Rise Capital Ltd. and the Adelaide Street Lofts Project

Pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated March 21, 2019 (the "**Appointment Order**"), 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 proposed development known as the "Adelaide Street Lofts" at the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**") and owned by Adelaide Street Lofts Inc., in connection with the negotiation and implementation of a settlement with respect to such investments, except for those Investors who opted out of representation by Representative Counsel in accordance with the terms of the Appointment Order.

Unless otherwise defined herein, capitalized terms in this Distribution Plan Approval Notice are as defined in the Appointment Order, a copy of which is available at https://www.millerthomson.com/wp-content/uploads/2019/03/Representative-Counsel-Appointment-Order.pdf

Purpose of Notice

The purpose of this Notice is to provide Investors with notice that Representative Counsel will be seeking court approval of the Distribution Plan described in the Sixth Report of Representative Counsel dated November 6, 2020. A copy of the Sixth Report is posted on the Website.

The Distribution Plan

As you are aware, it is anticipated that the Property will be sold to Lanterra Developments Ltd. (the "**Lanterra Transaction**") on November 16, 2020. Pursuant to the Order of the Court dated April 27, 2020, Representative Counsel is authorized to distribute the net sale proceeds of the Lanterra Transaction to Investors.

The proposed Distribution Plan is based upon Representative Counsel's observations and recommendations set out in the Sixth Report. As set out in detail in the Sixth Report, there are a number of different iterations of the Loan Participation Agreements executed by Non-Registered Investors. These include what may be materially different provisions regarding Investor priority. The legal effect of these LPA irregularities is uncertain, but could give rise to arguments by individual Non-Registered Investors regarding their respective priorities.

However, despite these LPA irregularities, for the reasons set out in the Sixth Report including fairness, efficiency and cost-effectiveness, Representative Counsel recommends that all Non-Registered Investors be treated equally, as a single class, under the Distribution Plan.

Opportunity to Object to Distribution Plan

Due to the nature and scope of its mandate and the varying and potentially conflicting interests of its individual constituents, Representative Counsel is not in a position to advocate for or against, or otherwise

respond to, individual Non-Registered Investor objections, beyond what is expressly set out in the Sixth Report.

However, Representative Counsel acknowledges the need to provide Non-Registered Investors who wish to object to the proposed Distribution Plan with a meaningful opportunity to do so. Non-Registered Investors who wish to object to the proposed Distribution plan are requested to provide notice of the objection to Representative Counsel at least ten (10) days prior to the hearing of the Motion.

Representative Counsel strongly recommends that Non-Registered Investors who wish to object to the Distribution Plan immediately seek independent counsel.

Note that an Order approving the Distribution Plan will be binding on all Investors including with respect to the proposed treatment of Non-Registered Investors.

APPENDIX R

Appendix "R"

Investor Payment Notice

Notice of Investor Distribution Amount
in Hi-Rise Capital Ltd. and the Adelaide Street Lofts Project

Pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated March 21, 2019 (the "Appointment Order"), 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 proposed development known as the "Adelaide Street Lofts" at the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "Property") and owned by Adelaide Street Lofts Inc., in connection with the negotiation and implementation of a settlement with respect to such investments, except for those Investors who opted out of representation by Representative Counsel in accordance with the terms of the Appointment Order.

Unless otherwise defined herein, capitalized terms in this Distribution Plan Approval Notice are as defined in the Appointment Order, a copy of which is available at https://www.millerthomson.com/wp-content/uploads/2019/03/Representative-Counsel-Appointment-Order.pdf

Purpose of Notice

The purpose of this Investor Payment Notice is to provide you with notice of the amount you are expected to receive pursuant to the Distribution Plan approved by the Court in its Order dated November •, 2020 (the "Distribution Plan Order"), a copy of which is available at •.

A description of the Distribution Plan is set out in Representative Counsel's Sixth Report dated October •, 2020 (the "Sixth Report"), a copy of which is available at •.

Amount of Payment

You are a [Registered / Non-Registered] Investor. As such, in accordance with the Distribution Plan you are entitled to payment in the amount of $• (the "Payment Amount").

Objection to Payment Amount

You have 14 days from the date of this Notice (the "Objection Period") to notify Representative Counsel of any objection to the Payment Amount.

If you do not notify Representative Counsel of your objection to the Payment Amount within the Objection Period then you shall be deemed to have accepted the Payment Amount, and any further claims may be permanently extinguished.

Representative Counsel strongly recommends that any Investor who wishes to object to the Payment Amount immediately seek independent counsel.

Expected Timing of Distribution

Representative Counsel anticipates distributing Payment Amounts to Investor who do not object to the Payment Amounts within 14 days of the expiry of the Objection Period.

APPENDIX S

Hi-Rise Capital Ltd.

Appointment of Representative Counsel

Pursuant to the Order of the Honourable Mr. Justice Hainey of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated March 21, 2019 (the "**Order**") Miller Thomson LLP ("**Representative Counsel**") was appointed to represent all individuals and/or entities ("**Investors**") that hold an interest in a syndicated mortgage ("**SMI**"), administered by Hi-Rise Capital Ltd. ("**Hi-Rise**"), in respect of the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**") and the proposed development known as the "Adelaide Street Lofts" (the "**Project**"). A copy of the Order can be found in the 'Documents' section of this webpage.

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

Communications with Representative Counsel

Representative Counsel has established this webpage to facilitate communications with Investors. This webpage will include information and documents relevant to Investors. Please regularly consult the 'Communications' section of this webpage for updates from Representative Counsel on this proceeding. Representative Counsel will also email updates and communications to all Investors on the email distribution list. If you are not receiving these emails, please email Representative Counsel at the email address below and we will add you to the email distribution list.

Questions regarding this proceeding should be directed to Representative Counsel at 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 Investors and posted on the Website). In order to manage the volume of inquiries and to effectively respond to all Investors, we ask that all Investors submit their inquiries to this email address only.

Official Committee

Pursuant to the Order, Representative Counsel was directed to appoint an Official Committee of Investors (the "**Official Committee**") in accordance with the Official Committee Establishment Process, which can be found here. Representative Counsel fully carried out the Official Committee Establishment Process and selected 5 Investors to act as members of the Official Committee and 2 Investors to act as alternate members to the Official Committee.

Pursuant to the Order of the Court dated April 15, 2019 the ("**Approval Order**"), the Official Committee was approved and constituted. A copy of Representative Counsel's motion materials and the Approval Order can be found in the 'Documents' section of this webpage.

Subsequent to the Approval Order, one of the Official Committee members resigned. Accordingly, there are currently 4 Investors that act as members of the Official Committee. Representative Counsel regularly consults with and takes instructions from the Official Committee in respect of matters related to this proceeding. Members of the Official Committee are required to follow the Official Committee Protocol, which can be found here.

Transaction, Settlement, and Court Approval

In November 2019, Lanterra Developments Ltd. offered to purchase 100% of the Property for the purchase price of $69,000,000 (the "**Lanterra Transaction**"). The parties entered into Minutes of Settlement to memorialize the terms of the Lanterra Transaction (the "**Settlement**"). Full details of the Settlement are set out in the Fourth Report of Representative Counsel dated January 9, 2020 and the Motion Record of Representative Counsel dated April 6, 2020, copies of which are posted under the 'Documents' section of this website.

The Settlement was amended by Amended Minutes of Settlement. Under the terms of the Settlement, as amended, the Lanterra Transaction is scheduled to close on November 16, 2020. After this closing date, Representative Counsel will attend to the distribution to Investors in accordance with the process set out in the Minutes of Settlement.

On April 27, 2020, the Court approved the Settlement, as amended, and the Lanterra Transaction, among other things. A copy of the Order of Justice Hainey dated April 27, 2020 is posted under the 'Documents' section of this website.

Communications

- Information Package Delivered to Investors – 22/3/2019
- Notice of Hearing on April 4, 2019 – 26/3/2019
- Representative Counsel Update – 30/3/2019
- Update on Court Hearings – 4/4/2019
- Update on Status of Proceeding – 25/4/2019

- Update on Status of Proceeding – 8/5/2019
- Update on Status of Proceeding – 20/6/2019
- Important Update on Proposed Transaction – 4/7/2019
- Important Update on Proposed Transaction – 26/7/2019
- Important Update on Proposed Transaction and Proposed Vote – 30/8/2019
- Important Update on Proposed Transaction – 11/9/2019
- Important Update on Status of Proceeding and Appointment of Information Officer – 17/9/2019
- Important Update on the Court Report of the Information Officer – 8/10/2019
- Notice of Meeting of Investors Hosted by Representative Counsel – 16/10/2019
- Summary of Proposed Settlement/Vote Recommendation – 21/10/2019
- Update on Vote Results from the Meeting Called by Hi-Rise Capital Ltd. on October 23, 2019 – 28/10/2019
- Update regarding Communication on Meeting – 6/11/2019
- Important Update on Status of Proceeding – 7/11/2019
- Important Update on Judicial Mediation and Settlement – 2/12/2019
- Important Update on Recommendation regarding Settlement – 12/1/2020
- Important Update on Vote Results – 31/1/2020
- Important Update on Status of Proceeding – 12/2/2020
- Important Update on Status of Proceeding and Implications of COVID-19 – 17/3/2020
- Important Update on Status of Proceeding – 20/4/2020
- Important Update on Status of Proceeding – 22/4/2020
- Important Update of Status of Proceeding, Transaction Approval and Closing Date – 7/5/2020
- Important Update on Transaction Approval Closing Date Extension et al. – 13/5/2020
- Important Update on Distribution Process and Closing Date – 9/10/2020

Questions & Answers

- Questions & Answers
- Questions & Answers regarding Vote & Proxies in respect of Proposed Settlement – 22/10/2019

Documents

- Application Record – Hi-Rise – 19/3/2019
- Factum of the Applicant – Hi-Rise – 19/3/2019
- Book of Authorities of the Applicant – Hi-Rise – 19/3/2019
- Order of Justice Hainey (re: Appointment of Representative Counsel) – 21/3/2019
- Endorsement of Justice Hainey – 22/3/2019
- Responding Application Record of the Respondent – Superintendent of Financial Services – 28/3/2019
- Factum of the Respondent – Superintendent of Financial Services – 2/4/2019
- Supplementary Affidavit of Noor Al-Awqati – 3/4/2019
- Endorsement of Justice Hainey – 4/4/2019
- Motion Record of Representative Counsel (returnable April 15, 2019) – 9/4/2019
- Responding Application Record of Respondents, Nadeem & Uzma Ghori – 11/4/2019
- Order of Justice Hainey (re: Approval of Official Committee) – 15/4/2019
- Endorsement of Justice Hainey – 15/4/2019
- Endorsement of Justice Hainey – 17/4/2019
- Endorsement of Justice Hainey – 7/5/2019
- Endorsement of Justice Hainey – 6/8/2019
- Endorsement of Justice Hainey – 12/9/2019
- Second Report of Representative Counsel – 13/9/2019
- Endorsement of Justice Hainey – 16/9/2019
- Endorsement of Justice Hainey – 17/9/2019
- Order of Justice Hainey (re: Appointment of Information Officer) – 17/9/2019
- Order of Justice Hainey (re: Increase of Representative Counsel Charge) – 17/9/2019
- Court Report of the Information Officer – 7/10/2019
- Third Report of Miller Thomson LLP, in its Capacity as Court-appointed Representative Counsel – 18/10/2019
- Application Record of Meridian Credit Union Limited – 28/10/2019
- Supplemental Application Record of Meridian Credit Union Limited – 30/10/2019
- Factum of the Applicant – 31/10/2019
- Endorsement of Justice McEwan – 1/11/2019
- Fourth Report of Miller Thomson LLP, in its Capacity as Court-appointed Representative Counsel – 9/1/2020
- Endorsement of Justice Hainey – 20/1/2020
- Order of Justice Hainey – 20/1/2020
- Order of Justice Hainey (signed per Justice McEwen) – 16/3/2020
- Motion Record of Hi-Rise Capital Ltd.-Volume 1 of 3 – 2/4/2020
- Motion Record of Hi-Rise Capital Ltd.-Volume 2 of 3 – 2/4/2020

- Motion Record of Hi-Rise Capital Ltd.-Volume 3 of 3 – 2/4/2020
- Motion Record of Representative Counsel (in writing) – 6/4/2020
- Factum of Hi-Rise Capital Ltd. – 14/4/2020
- Book of Authorities of Hi-Rise Capital Ltd. – 14/4/2020
- Cross Motion Record of Lanterra Developments Ltd. – 16/4/2020
- Responding Record of David Pozo – 20/4/2020
- Responding Factum of David Pozo – 20/4/2020
- Factum of Adelaide Street Lofts Inc. in response to Lanterra Developments Ltd.'s Cross-Motion – 20/4/2020
- Second Supplemental Affidavit of Meridian Credit Union Limited – 20/4/2020
- Factum of Lanterra Developments Limited – 21/4/2020
- Book of Authorities of Lanterra Developments Limited – 21/4/2020
- Supplemental Fifth Report of Representative Counsel – 21/4/2020
- Brief Argument of Meridian Credit Union Limited re Lanterra Cross-Motion – 22/4/2020
- Affidavit of Damian Lu of Meridian Credit Union Limited – 22/4/2020
- Order and Endorsement of Justice Hainey re Representative Counsel Motion – 22/4/2020
- Endorsement of Justice Hainey re: Settlement Approval Motion – 27/4/2020
- Order of Justice Hainey – 27/4/2020

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APPENDIX T

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March 17, 2020

Update on Status of Proceedings and Implications of COVID-19

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 February 13, 2020 entitled "Important Update on Status of Proceedings" (the "**Last Update**"), a copy of which is posted on the 'Communications' section of the Website, and to provide Investors with the following update:

Settlement Approval Motion

1. As you know, pursuant to the Minutes of Settlement (attached as Appendix "B" to the Fourth Report of Representative Counsel dated January 9, 2020, a copy of which is posted on the Website), the parties entered into a settlement pursuant to which Adelaide would move forward with a sale of 100% of the Property to Lanterra Developments Ltd., among other things (the "**Settlement**").

2. The Settlement was subject to the approval of Investors and approval by the Court. Accordingly, Hi-Rise called a second vote in order to allow Investors to vote on the Minutes of Settlement and the terms of the Settlement (the "**Vote**").

3. As the Vote has passed, the next step is for Hi-Rise to bring a motion to the Court to have the Settlement approved by the Court (the "**Settlement Approval Motion**"). As set out in the Last Update, the Settlement Approval Motion was scheduled to take place at the Court on March 19, 2020.

4. As you may know, due to the spread of the 2019 novel coronavirus ("**COVID-19**"), the Ontario Superior Court of Justice ("**SCJ**") is suspending all regular operations, effective Tuesday, March 17, 2020, and until further notice. More information in this regard is available on the SCJ's website at the following URL: https://www.ontariocourts.ca/scj/covid-19-suspension-fam/

5. **At this time, the suspended Court services are not expected to disrupt this proceeding. The following is expected to occur:**

   (a) While counsel are not permitted to attend at Court in person, this matter will now proceed electronically and by telephone conference until further notice.

   (b) This means that Hi-Rise will bring the Settlement Approval Motion to the Court "in writing" and will deliver its materials to the Court by electronic means.

   (c) Representative Counsel will also deliver its materials to the Court by electronic means.

   (d) Hi-Rise expects to deliver its materials within the next week, and Representative Counsel expects to deliver its materials shortly thereafter.

   (e) To the extent that the Court requires submissions from Hi-Rise, Representative Counsel, or any other party in this proceeding upon it receiving the written motion materials, the Court will convene a telephone case conference.

   (f) Otherwise, the Court will issue its decision to the parties in writing. We do not know the timeline for the Court to release its decision. However, please understand that given these new and unprecedented circumstances, there may be some delay and we ask that all Investors be patient.

   (g) All materials will be made available to Investors on the Website. Please stay tuned for future emails from Representative Counsel and please consult the Website regularly.

6. **In short, Hi-Rise is still on the path to seeking Court approval of the Settlement and Vote results.**

Distribution Matters

7. As set out in the Last Update, after the Settlement and the Vote results are approved by the Court, Representative Counsel will begin working on matters related to the distribution process (*i.e.,* distribution of settlement proceeds to Investors).

8. At this time, the closing date under the Settlement is still May 14, 2020. Representative Counsel still expects that distributions to Investors will be made within 4 to 6 weeks after the scheduled closing date (*i.e.,* by early July 2020), although this timeline may change as all organizations continue to navigate the COVID-19 pandemic.

9. **In the meantime, there is nothing for you to do.** Representative Counsel will deliver another update to all Investors as soon as one becomes available or if any of the current circumstances materially change. As set out above, please continue to regularly consult the Website for updates and for copies of all Court materials filed in connection with the Settlement Approval Motion.



COVID-19, Miller Thomson LLP Offices and Communications to Representative Counsel

Please note that Miller Thomson LLP remains open for business. However due to COVID-19, and to ensure the health and safety of our firms members and the public, our firm is moving toward working remotely (*i.e.*, from our homes). For more information on Miller Thomson's preparedness, please visit our website at the following URL: https://www.millerthomson.com/en/covid-19-resources/

Notwithstanding this change in circumstances, Representative Counsel will continue to represent the interests of Investors and there will be no disruption in our legal services or representation.

Representative Counsel continues to receive inquiries from Investors regarding the Settlement and the Vote. Representative Counsel has been receiving many emails and telephone calls from Investors directly, and many Investors have the same questions.

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.

Representative Counsel reviews all emails received through this email address, and will respond to 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



APPENDIX U

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April 20, 2020

Update on Status of Proceedings and Implications of COVID-19

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 March 17, 2020 entitled "Important Update on Status of Proceedings" (the "**Last Update**"), a copy of which is posted on the 'Communications' section of the Website, and to provide Investors with the following update. All capitalized terms in this Communication have the same meaning prescribed to them in the Last Update. Please review this Communication in conjunction with the Last Update.

Scheduling of the Settlement Approval Motion

1. Further to the details set out in the Last Update, the Settlement Approval Motion has been scheduled to take place with the Court on April 22, 2020 at 11:00 a.m.

2. The Settlement Approval Motion will proceed by way of video conference call before the Honourable Mr. Justice Hainey. Only legal counsel are permitted to be present on the video conference call. Representative Counsel will be in attendance.

Cross-Motion by Lanterra & Extension of Closing Date

3. As you know, the Minutes of Settlement (attached as Appendix "B" to the Fourth Report of Representative Counsel dated January 9, 2020, a copy of which is posted on the Website) contemplate a closing date of May 14, 2020 (the "**Closing Date**") in respect of Lanterra's purchase of the Property.

4. On April 16, 2020, Lanterra served a cross-motion record to be heard at the Settlement Approval Motion, a copy of which is posted on the Website. In light of the current COVID-19 pandemic, Lanterra is requesting that the Court grant an amendment to the Minutes of Settlement and Agreement of Purchase and Sale in respect of the Property to provide an extension to the Closing Date.

5. Lanterra's cross-motion will proceed on April 22, 2020 at 11:00 a.m., at the same time as Representative Counsel's motion and Hi-Rise's Settlement Approval Motion.

6. **Lanterra is still committed to the Property** and remains committed to closing the sale transaction, but in light of COVID-19, it is now seeking an extension to the Closing Date. All other terms of the Settlement remain the same.

7. Lanterra is seeking an extension of the Closing Date to a **date that is the earlier of:**

   (i) the date to which the parties to the Minutes of Settlement agree;

   (ii) the date that is 8 weeks following the lifting of the Declaration of Emergency issued by the Province of Ontario pursuant to the *Emergency Management and Civil Protection Act* (the "**Declaration of Emergency**"); and,

   (iii) December 15, 2020.

8. In its motion record, Lanterra cites various reasons for its extension request, some of which can be summarized as follows:

   (a) Lanterra's business has been directly impacted by the Declaration of Emergency. Since as of April 4, 2020, all developers of residential condominiums are prohibited by the Government of Ontario from active construction of projects for which it does not have above-grade structural permits;

   (b) As a result, Lanterra has had to immediately suspend construction of over 2,000 residential units and tens of thousands of square feet of commercial development, including suspension of activity with respect to the Property; and

   (c) Lanterra's business operations have also been drastically inhibited by various factors, including, among other factors, its inability to finalize zoning by-laws, seek site plan approvals and receive notice of approval conditions, its decreased access to capital from financial institutions and equity partners, the closure of Lanterra's sales offices and delayed closings to existing completed developments.

   For full details, please review Lanterra's motion record posted on Representative Counsel's Website.

What does this mean for Investors?

9. If approved by the Court, this means at the very latest the Closing Date will be extended to December 15, 2020.

10. The timing of Distribution to Investors under the Settlement will also be extended to after the new closing date of the Property. This is because until Lanterra's purchase of the Property closes, there are no funds available to be distributed to any parties to the Settlement, including to the Investors.

11. Representative Counsel still anticipates making Distributions to Investors within 4 to 6 weeks following the closing of the transaction and sale of the Property.

12. Based on Lanterra's extended Closing Date request, Representative Counsel expects it would make the Distribution to Investors by the end of January of 2021/early to mid-February 2021, at the latest. If the closing occurs sooner than December 15, 2020, the Distribution to Investors will be made sooner.

13. In the meantime, interest on each Investors' investment will continue to accrue until the closing of the transaction and sale of the Property, *i.e.*, until the new closing date.

14. Representative Counsel represents the interests of all Investors, both Registered Investors and Non-Registered Investors, as a whole. As interest will continue to accrue past May 14, 2020 to the new closing date, this will impact each Investor group differently:

    (a) It is still anticipated that Registered Investors will receive a return of their principal and all of their accrued interest as at the new closing date (*i.e.*, a full recovery); and

    (b) Unregistered Investors were never anticipated to receive a full recovery of their investment. Given that an extension to the Closing Date means that more interest will accrue and will be recovered by the Registered Investors, the Non-Registered Investors' recoveries will be less than originally anticipated.

15. Since Representative Counsel represents the interests of all Investors together, and given that the extension to the Closing Date will have different impacts to each of the Investor groups, Representative Counsel is not a position to agree or disagree to Lanterra's extension request.

16. Rather, Representative Counsel will look to the Court to make a determination on whether to grant the extension to the Closing Date. The Court is in the best position to make a decision on Lanterra's extension request and in doing so, will have regard to the best interests of all stakeholders, including the two Investor groups.

Closing Points

17. While the extension to the Closing Date is unfortunate, the COVID-19 pandemic, and its impacts on the construction business in the Province of Ontario, was unforeseen at the time the Minutes of Settlement were executed and at the time the Vote took place. These current circumstances are beyond any of the parties' or the Court's control.

18. Representative Counsel sympathizes with all of the Investors that are being impacted by the COVID-19 pandemic, including by the potential delay to your Distribution if the extension request is granted by the Court.

19. Representative Counsel has already begun working on matters related to the Distribution, so that once the closing of the transaction occurs and Representative



Counsel has funds in hand, we can make the Distribution to Investors as soon as reasonably possible.

20. **In the meantime, there is nothing for you to do.** Representative Counsel will deliver another update to all Investors after the Settlement Approval Motion. Please continue to regularly consult the Website for updates and for copies of all Court materials filed in connection with the Settlement Approval Motion.

COVID-19, Miller Thomson LLP Offices and Communications to Representative Counsel

Please note that Miller Thomson LLP remains open for business. However due to COVID-19, and to ensure the health and safety of our firms members and the public, our firm is predominately working remotely (*i.e.*, from our homes). For more information on Miller Thomson's preparedness, please visit our website at the following URL: https://www.millerthomson.com/en/covid-19-resources/

Notwithstanding this change in circumstances, Representative Counsel will continue to represent the interests of Investors and there will be no disruption in our legal services or representation.

Representative Counsel continues to receive inquiries from Investors regarding the Settlement and the Vote. Representative Counsel has been receiving many emails and telephone calls from Investors directly, and many Investors have the same questions.

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.

Representative Counsel reviews all emails received through this email address, and will respond to 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



APPENDIX V

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April 23, 2020

Update on Status of Proceedings and Settlement Approval Motion

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 March 17, 2020 entitled "Important Update on Status of Proceeding" and our communication dated April 20, 2020 entitled "Important Update on Status of Proceedings and Settlement Approval Motion" (collectively, the "**Last Updates**"), copies of which are posted on the 'Communications' section of the Website, and to provide Investors with the following update. All capitalized terms in this Communication have the same meaning prescribed to them in the Last Updates. Please review this communication in conjunction with the Last Update.

1. The Settlement Approval Motion proceeded on April 22, 2020 via video conference call before the Court. The Honourable Mr. Justice Hainey and the lawyers to the parties were present on the video conference call.

2. The Court granted Representative Counsel's motion. The Order and Endorsement of the Honourable Mr. Justice Hainey dated April 22, 2020 is posted under the 'Documents' section of the Website.

3. Hi-Rise made submissions to the Court in respect of its Settlement Approval Motion.

4. Thereafter, Lanterra made submissions to the Court in respect of its cross-motion for an extension to the Closing Date. Lanterra's cross-motion was opposed by certain parties.

5. The Court adjourned the Settlement Approval Motion and Lanterra's cross-motion to provide the parties with an opportunity to negotiate a settlement on the issue of extending the Closing Date. The Court directed the parties to negotiate only the issue of the extension to the Closing Date.

6. Representative Counsel will be kept appraised of the negotiations regarding the extension to the Closing Date.

7. This means that the outcome of the Vote and the Settlement has not yet been approved by the Court.

8. At this time, the parties expect to re-appear before the Court on Monday, April 27, 2020 via video conference (the "**New Hearing Date**") on the Settlement Approval Motion and the Lanterra cross-motion. At such time, the parties will advise the Court on the outcome of its negotiations. It is anticipated that the Court will render its decision at the New Hearing Date.

9. In the meantime, **there is nothing further for you to do**. We will provide an update to Investors after the New Hearing Date.

COVID-19, Miller Thomson LLP Offices and Communications to Representative Counsel

Please note that Miller Thomson LLP remains open for business. However due to COVID-19, and to ensure the health and safety of our firms members and the public, our firm is predominately working remotely (*i.e.*, from our homes). For more information on Miller Thomson's preparedness, please visit our website at the following URL: https://www.millerthomson.com/en/covid-19-resources/

Notwithstanding this change in circumstances, Representative Counsel will continue to represent the interests of Investors and there will be no disruption in our legal services or representation.

Representative Counsel continues to receive inquiries from Investors regarding the Settlement and the Vote. Representative Counsel has been receiving many emails and telephone calls from Investors directly, and many Investors have the same questions.

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.

Representative Counsel reviews all emails received through this email address, and will respond to 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
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APPENDIX W

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May 7, 2020

Update on Status of Proceedings, Transaction Approval & Closing Date

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 April 20, 2020 entitled "Important Update on Status of Proceeding" and our communication dated April 23, 2020 entitled "Update on Status of Proceedings and Settlement Approval Motion" (collectively, the "**Last Updates**"), copies of which are posted on the 'Communications' section of the Website, and to provide Investors with the following update. All capitalized terms in this Communication have the same meaning prescribed to them in the Last Updates. Please review this communication in conjunction with the Last Updates.

Settlement Approval Motion

1. As set out in the Last Updates, the Settlement Approval Motion proceeded on April 22, 2020 via video conference call before the Court. At the Settlement Approval Motion, the parties were directed to negotiate the issue of the extension to the Closing Date.

2. Pursuant to the direction of the Court, the parties to the Minutes of Settlement (being Lanterra, Adelaide, Hi-Rise, Jim Neilas and 263 Holdings Inc.) negotiated and agreed to a new Closing Date. Representative Counsel was kept appraised of these negotiations.

3. The parties agreed to a new date of November 16, 2020 for the closing of the Transaction (the "**New Closing Date**") and agreed to amended Minutes of Settlement (the "**Amended Minutes of Settlement**") to reflect the New Closing Date, among other terms further described below.

4. As you know, and for reasons set out in the Last Updates, Representative Counsel was not in a position to agree or disagree to an extension to the Closing Date.

The New Hearing Date

1. The parties attended the New Hearing Date before the Court via video conference on April 27, 2020.

2. The following occurred at and after the New Hearing Date:

   (a) The parties advised the Court that they reached a settlement on the New Closing Date and advised of the Amended Minutes of Settlement;

   (b) Representative Counsel advised the Court that it was not in a position to agree or disagree to the New Closing Date or to sign the Amended Minutes of Settlement;

   (c) In light of this, on April 27, 2020, the Court issued an Endorsement that authorized and directed Representative Counsel and the members of the Official Committee to sign the Amended Minutes of Settlement. A copy of the Endorsement of the Honourable Mr. Justice Hainey dated April 27, 2020 is posted under the 'Documents' section of the Website;

   (d) Thereafter, Representative Counsel and members of the Official Committee executed the Amended Minutes of Settlement. All other parties to the Amended Minutes of Settlement also executed same; and

   (e) On April 27, 2020, the Court granted an Order (the "**Settlement Approval Order**") approving the Settlement and the Transaction contemplated thereunder, including the New Closing Date. A copy of the Settlement Approval Order and the executed Amended Minutes of Settlement (which forms a schedule attached to the Settlement Approval Order) are posted under the 'Documents' section of the Website.

3. This means that the Settlement and the Transaction are now Court-approved, along with the New Closing Date.

Terms of the Amended Minutes of Settlement

The Amended Minutes of Settlement provide for the following:

1. As noted above, the Closing Date has now been extended to November 16, 2020. This means that the Transaction will be completed and the Property will be sold to Lanterra on November 16, 2020; and

2. The interest payable to Meridian under its loan and mortgage on the Property will continue to accrue to the New Closing Date. However, Lanterra has agreed to pay the interest to Meridian, compounded monthly, that will continue to accrue from May 15, 2020 to the New Closing Date. This payment of Meridian's interest will be in addition to the Purchase Price. This means that Lanterra will cover the interest payable to Meridian during the extended closing period. This is now a term of the Settlement.



Notwithstanding the above-noted amendments, all other terms of the Minutes of Settlement remain in full force and effect.

What Does This Mean for Investors?

Since issuing the Last Updates, Representative Counsel has received numerous inquiries from Investors regarding what the New Closing Date means for them. We take this opportunity to respond to these inquiries:

- As set out in the Last Updates, the interest payable to Investors under each of their investments will now continue to accrue to the New Closing Date. This means that interest will continue to accrue past the original Closing Date of May 14, 2020, and for another 6 months to the New Closing Date.

- It is still anticipated that Registered Investors will receive a return of their principal and all of their accrued interest as at the New Closing Date. This means that Registered Investors will receive a return of both principal and all of their interest, including additional 6 months' worth of interest that will have accrued due to the extended New Closing Date.

- Based on Representative Counsel calculations, interest will continue to accrue to the Registered Investors group as a whole in the amount of approximately $150,000 per month. The additional 6 months' of interest will amount to approximately $900,000 payable to the Registered Investors group. These monies will be available from the Purchase Price contemplated in the Minutes of Settlement.

- Non-registered Investors were never anticipated to receive a full recovery of their investment. Given that the New Closing Date means that 6 months' worth of interest will continue to accrue and will be recovered by the Registered Investors, the Non-Registered Investors' recoveries will be less than originally anticipated.

- During the negotiation period, Representative Counsel made a request that the Non-Registered Investors receive some form of compensation for the 6 month delay period. This request was not met and did not form part of the settlement. This means that Non-registered Investors will not receive any payment on account of the 6 month extension to the closing of the Transaction.

- Representative Counsel understands the 6 month extension and the New Closing Date impacts the recoveries available to the Non-registered Investors from the Purchase Price. Notwithstanding this delay and impact, Representative Counsel believes that in the circumstances, the current Transaction and Settlement still represent the best possible outcome and recovery for all Investors.

- It is important to note that the 6 month extension and New Closing Date is the result of the Covid-19 pandemic, which none of the parties anticipated or could have foreseen at the time the Minutes of Settlement were signed or at the time the Vote was held.



- The New Closing Date has been memorialized by signed agreement and has been approved by the Court. Lanterra is still committed to the Property and Transaction, and has every intention of closing the Transaction on the New Closing Date, irrespective of the status of the Covid-19 pandemic. The closing of the Transaction is now scheduled to occur on the New Closing Date.

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. 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. Representative Counsel reviews all emails received through this email address, 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

APPENDIX X

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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. 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

APPENDIX Y

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October 9, 2020

Update on Distribution Process and Closing Date

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 12, 2020 entitled "Update on Transaction Approval, Closing Date Extension & What this means for Non-Registered Investors" (the "**Last Update**"), a copy of which is posted on the 'Communications' section of the Website, and to provide Investors with the following update:

1. Lanterra has advised Representative Counsel that it is on track to proceed with closing on November 16, 2020. Accordingly, and to answer many inquiries received by Investors, Representative Counsel does not expect there to be any delays to closing.

2. As you may know, Representative Counsel is responsible for Distribution of the Investor Settlement Amount to Investors (as such terms are defined in the Minutes of Settlement). Representative Counsel is working towards preparing a scheme for Distribution, and will seek Court approval of same (the "**Distribution Scheme Motion**").

3. The Distribution Scheme Motion has not yet been scheduled with the Court. However, it is expected that the Distribution Scheme Motion will be scheduled before the November 16, 2020 closing date.

4. Once the Distribution Scheme Motion is scheduled, Representative Counsel will advise all Investors of the date through another Communication.

5. Representative Counsel will set out its proposed Distribution scheme in a further court report. This report will be filed with the Court, and will be delivered to Investors prior to the Distribution Scheme Motion.

6. It is important that Representative Counsel and Hi-Rise have your current address on file. If you have moved, please notify Representative Counsel immediately, at hirisecapital@millerthomson.com so that we may update our master distribution list.

7. **In the meantime, there is nothing further for you to do.** Representative Counsel will provide you with another update as soon as one becomes available.

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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.

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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

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

Proceeding commenced at Toronto

SIXTH REPORT OF REPRESENTATIVE COUNSEL
(November 6, 2020)

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