



September 11, 2019

Important Update on Proposed Transaction and Meridian Credit Union

TAKE NOTICE THAT THE OFFICIAL COMMITTEE DOES NOT SUPPORT THE SETTLEMENT PROPOSED BY HI-RISE AND ADELAIDE

Introduction

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” (the “**Project**”), in connection with the negotiation and implementation of a settlement with respect to such investments. A copy of the Order can be found on the ‘Documents’ section of Representative Counsel’s website (the “**Website**”), available at <https://www.millerthomson.com/en/hirise/>.

Pursuant to the Order, Representative Counsel represents the interest of all Investors, except Investors who do not wish to be represented by Representative Counsel and have completed and delivered an Opt-Out Notice. In accordance with the Order, Representative Counsel established an Official Committee of Investors (the “**Official Committee**”), with which Representative Counsel consults regularly and from which it takes instruction in respect of this matter.

Lanterra Transaction and Vote

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

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

Update to Investors regarding Vote and Meridian Credit Union

We have been provided with a copy of the communication from Hi-Rise to Investors dated September 10, 2019 regarding enforcement by Meridian Credit Union (“**Meridian**”). Please be advised as follows:

1. By letter dated September 6, 2019, Meridian advised that it only became aware of these proceedings and the Order in the last week of August 2019.
2. In its letter, Meridian advised that it would be bringing a Court application to appoint a receiver if it did not receive repayment by October 31, 2019 and in the interim, enter into a satisfactory forbearance agreement with Adelaide.

3. Since receiving this letter, Representative Counsel has been in discussions with the lawyers for Meridian regarding its potential enforcement, the Property, and the outcome for Investors.
4. As set out in our last communication dated August 30, 2019, Representative Counsel and the Official Committee **STILL** have not been provided with access to the information it has requested in order to assess the Lanterra Transaction or the circumstances around the proposed sale of the Property, or to make a recommendation to Investors on the Vote scheduled for September 25, 2019. The Official Committee requires that it be empowered obtain information independently, and without interference from Hi-Rise or Adelaide, which the companies object to.
5. In particular, and despite repeated requests, Adelaide still has not provided Representative Counsel with a copy of the JV Agreement. However, Hi-Rise is asking Investors on September 25, 2019 to effectively vote blindly on a proposed settlement that arises from this JV Agreement.
6. Adelaide and/or its principal, Mr. Jim Neilas, stand to make millions of dollars through the Lanterra Transaction if the Project is successful, while seeking Investor approval to compromise their claims in lost investment funds.
7. Without the necessary information, Representative Counsel and the Official Committee are not in a position to advise Investors whether the Lanterra Transaction truly represents the only available option or the best possible outcome for Investors.
8. Accordingly, at this time, Representative Counsel and the Official Committee still object to the Vote being held on September 25, 2019.
9. Approximately two-thirds of Investors do not hold their investments through a registered retirement saving plan (RRSP), which means that these Investors are “non-registered Investors”. Under the terms of Hi-Rise’s proposed settlement (on which Hi-Rise is asking all Investors to Vote), “non-registered Investors” will not receive repayment on their principal for at least 2 to 3 years.
10. The parties are attending at Court on Monday September 16, 2019 to provide the Court with an update in respect of this proceeding. Representative Counsel intends to advise the Court on the correspondence from Meridian.
11. Representative Counsel will be seeking the Court’s advice and direction on whether the Vote should proceed on September 25, 2019 in light of the current circumstances.
12. Representative Counsel is still in continued discussions with the lawyers for Meridian, and will provide an update with respect to Meridian’s position as soon as one becomes available.

Communicating with Representative Counsel

We sincerely apologize if the communications issued by Hi-Rise are causing confusion or concern to Investors. Such communications are being issued by Hi-Rise without notice to Representative Counsel. We note that Hi-Rise has invited Investors to communicate with Mr. Greg Azeff of Miller Thomson LLP directly, resulting in a flood of communications and questions from Investors that are clearly based upon incorrect and/or incomplete information provided by Hi-Rise.

We understand that you have questions regarding the communications you have received, and your inquiries are important to us. In order for Representative Counsel to effectively track and address all inquiries, we ask that Investors direct their inquiries to Representative Counsel's email at HiRiseCapital@millerthomson.com.

Please be advised that Representative Counsel will not be providing individual responses to emails. This means that you will not be receiving a direct response from Representative Counsel through this email account. Please continue to check the 'Communications' section of the Website regularly for further updates as they become available.

Yours Truly,

Miller Thomson LLP,
solely in its capacity as
Representative Counsel