



November 7, 2019

Important Update on Status of Proceeding

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

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.

Status Update

Representative Counsel writes this update further to our communication dated October 28, 2019 entitled “Vote Results from the Meeting called by Hi-Rise Capital Ltd. on October 23, 2019” (the “**Last Update**”), a copy of which is posted on the ‘Communications’ section of the Website, and to provide Investors with the following status update on this proceeding:

1. As set out in the Last Update, the vote held by Hi-Rise on Wednesday October 23, 2019 (the “**Vote**”) did not pass.
2. On October 28, 2019, Meridian Credit Union Limited (“**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**”). A copy of the Receivership Application is posted on the ‘Documents’ section of the Website.
3. The Receivership Application was scheduled for November 1, 2019.
4. After the Vote, Adelaide advised Representative Counsel that it intends to submit an improved offer to settle to Investors. This offer has not been formally submitted but Representative Counsel understands that Adelaide is in the process of preparing same.
5. The parties attended at Court on November 1, 2019. Meridian attempted to proceed with its Receivership Application on this date, and Adelaide advised that it intended to present a new settlement offer.

6. The Receivership Application did not proceed on November 1, 2019. Justice McEwen made the following Order on November 1, 2019, among other things:
 - (a) A Judicial Mediation is scheduled for November 27, 2019 with Representative Counsel, Hi-Rise, Adelaide, Meridian and other stakeholders (the “**Judicial Mediation**”); and
 - (b) The Receivership Application was adjourned to December 12, 2019.

A copy of the Endorsement of Justice dated November 1, 2019 is posted on the ‘Documents’ section of the Website.

What happens at the Judicial Mediation?

The purpose of a Judicial Mediation is to assist parties in negotiating a settlement agreement with a Judge present for facilitation purposes. Accordingly, the parties will attend at Court on November 27, 2019 and Justice McEwen will oversee a mediation with a view toward facilitating an agreement that Representative Counsel and/or the Official Committee is prepared to recommend to Investors. A Judicial Mediation is conducted without prejudice, which means that if no settlement agreement can be reached, then the Court proceeding will continue on.

Representative Counsel and members of the Official Committee will be present at the Judicial Mediation. Representative Counsel represents the interests of Investors and will negotiate the best possible settlement and outcome for Investors.

What happens if the Judicial Mediation is successful?

For the Judicial Mediation to be successful, Adelaide and Representative Counsel (and the Official Committee) must reach an agreement that is satisfactory for the Investors.

If a settlement agreement is reached at the Judicial Mediation (*i.e.*, Representative Counsel and the Official Committee are satisfied that a negotiated offer from Adelaide represents a good outcome for Investors and are prepared to recommend it to them), then Adelaide will then put the offer to settle to the Investors and call another vote based on the new offer.

Representative Counsel will advise all Investors on the implication of any new settlement offer before the next vote takes place.

What happens if the Judicial Mediation is unsuccessful?

If a satisfactory settlement agreement cannot be reached at the Judicial Mediation (*i.e.*, Representative Counsel and the Official Committee are not satisfied that the offer from Adelaide represents a good outcome for Investors and are not prepared to recommend it), then the Court proceeding will continue and the Receivership Application will proceed on December 12, 2019.

Next Steps

Representative Counsel and the Official Committee will prepare for the Judicial Mediation in the next few weeks. Representative Counsel will deliver an update to all Investors as soon as one becomes available. **In the meantime, there is nothing for you to do.**

Yours Truly,

Miller Thomson LLP,
solely in its capacity as
Representative Counsel