

December 2, 2019

Important Update on Outcome of Judicial Mediation & Settlement

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 November 7, 2019 entitled “Important Update on Status of Proceeding” (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 the outcome of the Judicial Mediation and the settlement agreement reached between the parties:

1. As set out in the Last Update, on November 27, 2019, the parties attended at a Court-ordered Judicial Mediation before Justice McEwen.
2. Lanterra Developments Ltd. (“**Lanterra**”) submitted a cash offer to acquire 100% of the Property and abandoned any joint venture agreement with Adelaide/Mr. Neilas.
3. The parties have agreed to support Lanterra’s cash offer, which will see, among other things, \$65 million available to be distributed to Investors on closing (expected to be in April 2020), subject to certain priority payments including repayment to Meridian Credit Union Limited, the first-mortgagee on the Property (the “**Settlement**”).
4. The Settlement is still subject to Investor approval, as further described below, and Court approval.
5. The written terms of Settlement are still in the process of being documented. Representative Counsel expects that the settlement agreement will be executed this week.
6. Once the settlement agreement is finalized, Representative Counsel will be publishing a Court Report to advise all Investors on the full details of the Settlement and what it

means for Investors. A copy of the Court Report will be emailed to Investors and will be posted on the Website.

7. Representative Counsel will also be hosting another Town Hall Meeting to provide legal advice on the Settlement. You will receive another Notice of Town Hall Meeting from Representative Counsel with details for the time and place of the meeting, which will occur in the upcoming weeks.
8. Hi-Rise will call another vote of Investors, where Investors will vote on the Settlement. You can expect to receive a Notice from Hi-Rise regarding the Vote date, which is expected to occur in the upcoming weeks.
9. Please note that the Town Hall Meeting will occur before the Vote so that Investors have the opportunity to hear from and ask questions of Representative Counsel and the Official Committee.

Next Steps

Representative Counsel is in the process of working with all counsel to finalize the Settlement. As noted above, you can expect to receive further communications from Representative Counsel over the next week or so regarding the Settlement. **In the meantime, there is nothing for you to do.**

Yours Truly,

Miller Thomson LLP,
solely in its capacity as
Representative Counsel