



April 20, 2020

Update on Status of Proceedings and Implications of COVID-19

Pursuant to the Order of the Honourable Mr. Justice Hailey 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.millertomson.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 Hailey. 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

