Court File No. CV-19-00628145-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N:

MERIDIAN CREDIT UNION LIMITED

Applicant

- and -

ADELAIDE STREET LOFTS INC.

Respondent

APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

AFFIDAVIT OF BERNHARD HUBER
(sworn April 20, 2020)

I, Bernhard Huber, of the City of St. Catharines, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS**:

1. I am a Senior Commercial Credit Specialist at Meridian Credit Union Limited ("**Meridian**"). Meridian is a secured creditor of the respondent, Adelaide Street Lofts Inc. (the "**Debtor**"), and I am responsible for Meridian's recovery initiatives relating to the Debtor. As such, I have personal knowledge of the matters to which I hereinafter depose. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.

2. On September 30, 2019, I swore an affidavit (the "**First Affidavit**") in support of an application (the "**Receivership Application**") by Meridian for an order, amongst other things, appointing msi Spergel Inc. ("**Spergel**") as receiver of all the assets, undertakings and properties of the Debtor, including, without limitation, the real property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Real Property**"). On October 30, 2019, I swore an affidavit (the "**Second Affidavit**") to provide an update of the events transpiring since my First Affidavit. This affidavit is supplemental to, and provides an update on the events transpiring since, my First and Second Affidavits. Capitalized terms used herein but not otherwise defined have the meaning attributed to them in the First Affidavit.

SUMMARY OF MERIDIAN'S RELATIONSHIP TO THE DEBTOR

3. The Debtor is indebted to Meridian in connection with credit facilities made available by Meridian to the Debtor pursuant to and under the terms of a credit agreement (the "**Credit Agreement**") dated April 2, 2018 in the original principal amount of $16,414,000, plus all applicable interest, costs and other obligations owing thereunder (the "**Credit Facilities**"). Meridian holds a first-ranking security over the Debtor's real and personal property, which no party has challenged in these proceedings.

4. The Credit Agreement required that the Credit Facilities be repaid in full on or before February 28, 2019. The Debtor has acknowledged its defaults under the Credit Agreement in section 2.1 of the Forbearance Agreement (as defined below):

> **2.1 Acknowledgement of Obligations**
>
> (a) Each of the Credit Parties hereby acknowledges, confirms and agrees that, as of the close of business on December 5, 2019, the Borrower was indebted to the Lender

> in the aggregate amount of $17,045,466.82 for principal and interest, exclusive of amounts which may be or become owing for its fees, agent costs, professional fees and accruing interest at the rates set out in the Financing Agreements.
>
> (b) Each of the Credit Parties hereby acknowledges, confirms and agrees that the Indebtedness, together with interest accrued and accruing thereon, and fees, costs, expenses and other charges now or hereafter properly payable by the Borrower to the Lender under the Financing Agreements, is unconditionally owing by the Borrower to the Lender, without any right of setoff, defence, counterclaim or reduction of any kind, nature or description whatsoever, and each of the Credit Parties is estopped from disputing such Indebtedness.
>
> (c) Each of the Credit Parties hereby acknowledges, confirms and agrees that the Borrower will continue to accept statements of the Indebtedness issued by the Lender to be accurate statements of the amount and the particulars of the Indebtedness as of the date of the statement, absent manifest error.

THE MINUTES OF SETTLEMENT AND ADJOURNMENT OF THE RECEIVERSHIP APPLICATION

5. By endorsement of the Honourable Mr. Justice McEwen (the "**Endorsement**") dated November 1, 2019, the Receivership Application was adjourned to December 12, 2019, if necessary, pending the results of a judicial mediation on November 27, 2019 (the "**Judicial Mediation**"). A copy of the Endorsement is attached hereto as **Exhibit "A"**.

6. I am advised by Aird & Berlis LLP, counsel to Meridian, that at the Judicial Mediation, a comprehensive settlement was entered into as among various parties. Due to the complexity of the proceeding, different parties entered into various interrelated agreements, including:

(a) Lanterra Developments Ltd. ("**Lanterra**"), 263 Holdings Inc. ("**263 Holdings**") and the Debtor, among others, agreed to broad terms of a new transaction for an

all-cash sale (the "**Sale**") of the Property to Lanterra, with a closing date of May 14, 2020 (the "**Closing Date**"). Previously, Lanterra had been the proposed purchaser of the Real Property under a joint venture structure in which the Debtor and 263 Holdings would have remained involved in the development of the Real Property. The original transaction is detailed in the Court Report of the Information Officer dated October 7, 2019, a copy of which is attached hereto as **Exhibit "B"**; and

(b) Certain parties, including Lanterra, 263 Holdings, and the Debtor,[1] agreed to broad terms of minutes of settlement which included, among other things, the terms of distribution among the Debtor's creditors.

7. A definitive agreement of purchase and sale was executed dated December 20, 2019 (the "**APS**"). In particular, the APS provides, among other things, that (a) the Closing Date is May 14, 2020, and (b) the deposit amount of $10,000 is to be placed with the solicitors to Adelaide. A copy of the APS is attached hereto as **Exhibit "C"**.

8. The Minutes of Settlement (the "**Minutes of Settlement**") were executed on December 24, 2019 among the relevant parties. The Minutes of Settlement provide, among other things, that: (a) the sale terms between Lanterra and the Debtor are reflected in the APS; (b) under the distribution of proceeds, the first distribution would be first made to Aird & Berlis LLP, in trust,

[1] The parties to the Minutes of Settlement are Jim Neilas, 263 Holdings Inc., Adelaide Street Lofts Inc., Hi-Rise Capital Ltd., Miller Thompson 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, Marco Arquilla, solely in his capacity as court-appointed member of the Official Committee and Lanterra Developments Ltd.

to repay the amounts owing under the Credit Facilities; and (c) Lanterra will lend $1,550,000 to the Debtor, and the Debtor shall direct Lanterra to pay the amount of $1,550,000 to Meridian on account of outstanding interest due and owing by the Debtor to Meridian. A copy of the Minutes of Settlement is attached hereto as **Exhibit "D"**.

9. Separately, Meridian, the Debtor, 263 Holdings, Ioannis (John) Neilas and Jim entered into a forbearance agreement dated December 20, 2019 (as amended on January 13, 2020, the "**Forbearance Agreement**"), pursuant to which Meridian agreed to forbear from enforcing its security if, among other things: (a) the Sale is completed by May 20, 2020; (b) proceeds are paid to Meridian by May 22, 2020; and (c) Lanterra agrees to make an interim payment to Meridian, a portion of which is placed in a reserve account established by Meridian to make interest and other payments under the Credit Agreement for the period up to the repayment of the indebtedness. The Forbearance Agreement is attached hereto as **Exhibit "E"**.

10. As consideration for the interim payment obligation, the Debtor granted a second-ranking $1,550,000 charge on the Property in favour of Lanterra (the "**Lanterra Charge**").

11. On December 23, 2019, Meridian, Lanterra and the Debtor entered into a subordination and standstill agreement (the "**Intercreditor Agreement**") pursuant to which Lanterra agreed, among other things: (a) to postpone and subordinate its security, including the Lanterra Charge, in favour of the security of Meridian; and (b) not to amend or agree to amend the APS without the written consent of Meridian in it is sole, absolute and unfettered discretion. A copy of the Intercreditor Agreement is attached hereto as **Exhibit "F"**.

12. Meridian agreed to further adjourn its Receivership Application pursuant to the Forbearance Agreement with the explicit expectation that it would be fully repaid, at the latest, by

May 22, 2020, in association with the completion of the Sale. The timing of the repayment was of importance to Meridian.

LANTERRA'S UNSUBSTANTIATED REQUEST FOR EXTENSION

13. On April 7, 2020, Christopher J. Wein, the Chief Operating Officer of Lanterra sent a letter (the "**Lanterra Letter**") to Representative Counsel requesting that the Representative Counsel consent to an indefinite extension of the closing date (the "**Request for Extension**") until a date which is eight (8) weeks following the "resumption of normal commercial business activity within the City of Toronto and Province of Ontario," with a potential outside date of December 15, 2020 as a result of certain "business disruptions" caused by the COVID-19 Pandemic. A copy of the Lanterra Letter is attached hereto as **Exhibit "G"**.

14. Meridian was presented with a copy of the Lanterra Letter on April 8, 2020. After consideration and discussion with Lanterra, Meridian determined that it was unable to accommodate the Request for Extension on the proposed terms. Among other things:

(a) Meridian has already incurred significant costs and delays to recover its loans to the Debtor since the maturity of the Credit Facilities on February 28, 2019, as further discussed in the First Affidavit;

(b) Meridian will undoubtedly incur additional delays and costs if the Request for Extension is accommodated;

(c) Meridian agreed to the adjournments to the Receivership Application, the Sale and the Forbearance Agreement with the explicit expectation that it would be finally

repaid by May 22, 2020, almost 15 months after the maturity of the Credit Facilities;

(d) Meridian relied on the Closing Date as stipulated in each of the Minutes of Settlement, APS and Forbearance Agreement;

(e) the closing date proposed in the Request for Extension is ambiguous and arbitrary;

(f) there is insufficient money in the interest reserve account to keep Meridian current through to an extended closing date – there is a shortfall of $300,000 to $350,000;

(g) Lanterra's current deposit only amounts to $10,000, and Meridian, as well as all stakeholders, would experience significant prejudice and exposure to additional losses if Lanterra is once again unable to complete the Sale after the Request for Extension is granted.

15. Despite these concerns, Meridian, through counsel, sent a letter to Lanterra on April 14, 2020 to propose a reasonable compromise (the "**April 14 Letter**"). The April 14 Letter is attached hereto as **Exhibit "G"**. Among other things, Meridian offered to consider the extension to the closing of the Sale, and consider not opposing the relief ultimately sought, if the following terms are met:

(a) any extension of the closing of the Sale must be as limited as possible, and include a universally clear term or end of term. Meridian was willing to allow a 10 week extension to the original May 14, 2020 closing date, at which point the parties will re-evaluate the market landscape. In the event that Meridian or Lanterra believes that market conditions have improved prior to the 10 week extension, to the extent

that the Lanterra Transaction is able to close sooner, including but limited to the Ontario Superior Court of Justice's resumption of normal activities, the parties shall have a mechanism to truncate the extension period.

(b) Meridian's interest entitlements must continue to be kept current. Among other things, the interest reserve established as part of the Forbearance Agreement must be brought up to an amount that Meridian reasonably requires to service all interest and other fees through the course of the calendar year and all legal fees to date must be paid immediately. Meridian shall be paid a modest extension fee of $25,000, which fee is contemplated in the Credit Agreement and which is not the maximum extension fee that Meridian could request. Among other things, if interest is not kept current, it will compound monthly, which will reduce amounts available to creditors further down the waterfall.

(c) Lanterra must put down a meaningful deposit that will give Meridian the assurance it needs that Lanterra will close the Sale, in the amount of 5% of the total purchase price, being the minimum market deposit amount in restructuring transactions. The deposit must be non-refundable and shall be held in trust by counsel to Meridian.

As of the date of this affidavit, Lanterra has not responded to the April 14 Letter, but Lanterra's motion materials, described below, were delivered on April 16, 2020.

MOTION OF HI-RISE AND CROSS-MOTION OF LANTERRA

16. On April 1, 2020, Hi-Rise Capital Ltd. ("**Hi-Rise**") brought a motion in the Hi-Rise Proceeding, returnable April 22, 2020, for an order, among other things:

(a) approving the terms of the Minutes of Settlement;

(b) authorizing the Sale in accordance with the Minutes of Settlement and APS; and

(c) approving and directing the distribution of proceeds from the Sale in accordance with Minutes of Settlement.

17. On April 16, 2020, Lanterra brought a cross-motion (the "**Lanterra Cross-Motion**") in the Hi-Rise Proceeding, returnable April 22, 2020, for an order, among other things:

(a) Amending the Minutes of Settlement to revise the definition of the Closing Date in section 3(a)(iii) of the Minutes of Settlement to a date that is the earlier of (i) the date to which the parties 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; and

(b) Amending the APS to revise the definition of the Closing Date in section 1.1(7) of the APS to the earlier of: (i) the date to which the parties agree, (ii) the date that is 8 weeks following the lifting of the Declaration of Emergency; and (iii) December 15, 2020.

MERIDIAN'S LOSS OF CONFIDENCE IN THE SALE AND THE PROSPECT FOR REPAYMENT

18. Despite Meridian's good faith efforts to come to a reasonable compromise, Lanterra has moved forward with its request for an extension without any accommodation to Meridian, or any

attempt to come to a compromise. Lanterra's unwillingness to provide an increased deposit is particularly troubling, as it can only be viewed as: (a) a lack of confidence in its own ability to complete the transaction; or (b) a lack of intention to complete the transaction. As such, Meridian has lost confidence in the prospect of repayment in the current circumstances.

19. Among other things:

(a) Lanterra is seeking the court's assistance to unilaterally alter the terms of private agreements between various parties without, to Meridian's knowledge, any serious effort to deal with the parties to those documents;

(b) Pursuant to the Intercreditor Agreement, Lanterra is prohibited from amending or agreeing to amend the APS without the written consent of Meridian in it is sole, absolute and unfettered discretion, which consent was neither sought nor granted.

(c) Lanterra asserts that closing the transaction is no longer "commercially feasible". With respect, the APS and related agreements were not negotiated for a closing on a "commercially feasible" basis.

(d) Lanterra has not made any provision to alter the terms of the Forbearance Agreement, counting on the court's continued indulgence to deny Meridian its contractual and legal rights and remedies under the Credit Agreement for up to 22 months from the original repayment date, or potentially more if Lanterra determines that additional time is needed;

(e) there is insufficient certainty as to what constitutes "8 weeks following the lifting of the Declaration of Emergency." For example, the Declaration of Emergency may

be lifted in stages, or for certain industries. There is the potential for further court appearances to dispute whether the Closing Date has been reached;

(f) The APS does not provide that Lanterra gets to close on the funding terms that Lanterra wants. In fact, the APS has neither a funding nor a force majeure provision;

(g) Lanterra's refusal to continue covering interest payments during an extended closing period means that interest will compound on that unpaid interest, resulting in a further deterioration of monies available for creditors further down the distribution waterfall;

(h) Lanterra's reference to other monetary investments or future commitments in the project is not compelling, as Lanterra has shown it is willing to unilaterally depart from the terms of this agreement and there is no indication it will not do the same in the future;

(i) in the ordinary course, in order to change the terms of an agreement of purchase and sale, the party seeking an accommodation would pay for such accommodation if the counterparties are willing. Rather than attempt to deal with the stakeholders, Lanterra is seeking cover from the court to unilaterally rewrite the document without any concessions on its part; and

(j) Lanterra may well determine on December 15, 2020, it is still unable or unwilling to close the transaction, in that it has no meaningful investment in the transaction by way of a commercial default, there is no penalty (other than the prospect of being

Agreement originally came due. In that time, additional fees and costs will have continued to chip away at stakeholder recovery, to the benefit of no one.

IT WOULD BE JUST AND EQUITABLE TO APPOINT A RECEIVER

20. The Receivership Application has now been twice adjourned. Almost fourteen months have elapsed since the maturity of the Credit Facilities. The Debtor's indebtedness remains unpaid, and Meridian is once again asked to wait, until December 15, 2020 or otherwise, despite the fact that Meridian no longer has any confidence that it will be repaid in the current circumstances with Lanterra at all since there is no meaningful mechanism or incentive to close the Sale.

21. In contrast, a court-appointed receiver, through a robust, transparent and court-sanctioned sales process, will likely be able to consummate a transaction with significantly less delay and potentially less fees and costs.

22. For these reasons, and for the reasons set out in the First Affidavit and Second Affidavit, I believe that it would be just and equitable to appoint a receiver in the circumstances.

SWORN before me at the City of
Toronto, in the Province of Ontario,
This 20th day of April, 2020

Commissioner for taking affidavits, etc.

Bernhard Huber

This is Exhibit "A" referred to in the Affidavit of Bernhard Huber sworn April 20, 2020.

Commissioner for Taking Affidavits (or as may be)

COUNSEL SLIP

COURT FILE NO.: **CV-19-00628145-00CL** DATE: **November 1st, 2019**

TITLE OF PROCEEDING **MERIDIAN CREDIT UNION LIMITED v. ADELAIDE STREET LOFTS INC.**

NO. ON LIST 7

COUNSEL FOR:
- ☐ PLAINTIFF(S)
- ☐ APPLICANT(S)
- ☐ PETITIONER(S)
- ☒ Proposed court-Appointed Receiver – MSI Spergel Inc.

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1 Nov 19

I granted the contested adj. m. Hall is cenerally an trial and the Applicants materials (or some of them at least) were late served / filed.

I will conduct a judicial mediation on Nov 27/19 @ 2:15 p.m. If it is recess the Application will proceed on Dec 12/19 - 2 hour Confirmed, any judge but myself.

Timetable will go as per schedule A attached.

Schedule A TM

- judicial med - briefs ~~served~~ filed Nov 25 1pm
- judicial mediation on November 27, 2:15pm
- responding materials by December 2nd, 5pm
- crosses the week of the 2nd
- investors vote, if any, by Dec 6th
- applicants' factum & other factums in support of the application by December 9th 5pm
- responding factums, 10th 5pm by December
- reply factum by December 11th 5:00 pm
- application returnable on the 12th

TM

This is Exhibit "B" referred to in the Affidavit of Bernhard Huber sworn April 20, 2020.

Commissioner for Taking Affidavits (or as may be)

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.

REPORT OF THE INFORMATION OFFICER

ALVAREZ & MARSAL CANADA INC.

October 7, 2019

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APPENDICES

INTRODUCTION

1. On March 19, 2019, Hi-Rise Capital Ltd. ("**Hi-Rise**") made an application (the "**Initial Application**") under 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, and on March 21, 2019, an initial order (the "**Initial Order**"), was granted by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") which, among other things:

   (a) appointed Miller Thomson LLP as representative counsel ("**Representative Counsel**") to represent the interests of all individuals and/or entities (the "**Investors**")[1] that have invested funds in a syndicated mortgage investment (the "**SMI**") administered by Hi-Rise in respect of the proposed development located at 263 Adelaide Street West, Toronto, Ontario (the "**Property**"), whose registered title is held by Adelaide Street Lofts Inc. ("**Adelaide**") as nominee on behalf of the beneficial owner 263 Holdings Inc. ("**Holdings**", and together with Adelaide, the "**Company**"), in connection with the negotiation and implementation of a settlement with respect to such investments;

   (b) permits Hi-Rise to conduct a meeting of all Investors, including opt-out investors, in order for the investors to consider and, if determined advisable, pass a resolution approving a settlement transaction that would discharge the SMI and result in the distribution of certain proceeds; and

   (c) directed Representative Counsel to establish an Official Committee of Investors (the "**Official Committee**").

[1] The Initial Order allows for certain investors in the SMI to opt out of representation by Representative Counsel. Throughout this Report, the term "Investors" refers to all individuals and/or entities that have invested funds in the SMI, whether or not they have opted-out of such representation.

2. On April 15, 2019, the Court granted an Order constituting the Official Committee.

3. Since its appointment, Representative Counsel has issued two reports dated April 9, 2019 (the "**First Report of Counsel**") and September 13, 2019 (the "**Second Report of Counsel**", and together, "**Representative Counsel's Reports**"). Representative Counsel's Reports and other Court-filed documents, orders and notices in these proceedings are available on Representative Counsel's case website at: https://www.millerthomson.com/en/hirise/.

4. On September 17, 2019, this Court made an order (the "**Information Officer Appointment Order**") which, among other things, appointed Alvarez & Marsal Canada Inc. as a Court officer to act as an information officer (the "**Information Officer**") in respect of Hi-Rise and the Property. A copy of the Information Officer Appointment Order is attached as **Appendix "A"**.

5. The Information Officer Appointment Order, among other things, outlines the Information Officer's role, including:

   (a) Pursuant to paragraph 4(b), the Information Officer is empowered and authorized *"to review and report to the Court and to all stakeholders… in respect of matters relating to the Property, Hi-Rise's 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 (and in this regard, the Information Officer may engage in discussions with Tricon Lifestyle Rentals Investment LP to ascertain its interest in the Property), and the financial implications of such proposed transaction (the "**Mandate**")"*; and

(b) Pursuant to paragraph 9, *"on or before October 7, 2019, the Information Officer shall file a report with the Court in respect of the Mandate, including in particular whether sufficient effort has been made to obtain the best price in respect of the Company's proposed sale of the Property, that the proposed sale is not improvident, and in respect of the efficacy and integrity of the process by which offers had been obtained."*

TERMS OF REFERENCE AND DISCLAIMER

6. In preparing this report (the "**Report**"), the Information Officer has relied solely on the information and documents provided by Representative Counsel, Hi-Rise, its counsel Cassels Brock & Blackwell LLP ("**Cassels**"), and its financial advisor, Grant Thornton Limited ("**GT**"), the Company and its counsel McCarthy Tétrault LLP ("**McCarthy**"), the Company's real estate broker, Bank of Montreal Capital Markets Real Estate Inc. ("**BMO**"), and discussions held with parties who participated in the marketing and sale process (collectively, the "**Information**").

7. The Information Officer has reviewed the Information for reasonableness, consistency and use in the context in which it was provided. However, the Information Officer has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook (the "**Handbook**"), and accordingly, the Information Officer expresses no opinion or other form of assurance contemplated under CASs in respect of the Information.

8. Some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the Handbook, has not been performed.

9. Future-oriented financial information referred to in this Report was prepared based on estimates and assumptions made by Hi-Rise, the Company or as otherwise indicated herein. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, and the variations could be significant.

10. This Report should be read in conjunction with the Initial Application, the Information Officer Appointment Order and Representative Counsel's Reports.

11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

PURPOSE OF REPORT

12. The Information Officer understands that on October 23, 2019, pursuant to the Initial Order, Hi-Rise intends to hold a meeting of Investors (the "**Meeting**") in order to, among other things, allow the Investors to vote on a proposed settlement (the "**Proposed Settlement**"), which, if approved, would ultimately discharge the SMI in place, allow the Company to move forward with closing the Lanterra Transaction (as defined and described below) and result in the distributions contemplated in the Proposed Settlement.

13. As described later in this Report, the distributions contemplated in the Proposed Settlement will not be sufficient to fully repay the amounts owing to all Investors.

14. The Information Officer understands that if the Investors vote to approve the Proposed Settlement, Hi-Rise will bring a motion before this Court seeking approval of the Proposed

Settlement, however if Investors do not vote to approve the Proposed Settlement an alternate path forward will need to be pursued.

15. In performing its duties under the Mandate, the Information Officer has undertaken an extensive review of the following:

    (a) the events prior to and following the date of the Initial Application that resulted in the Lanterra Transaction and the Proposed Settlement;

    (b) the design, implementation and results of the Sale Process (as defined below) and whether sufficient effort was made to obtain the best price under the circumstances;

    (c) the Lanterra Transaction and the Proposed Settlement, including financial and other implications to Investors; and

    (d) potential alternatives that may be available to Investors, including, as requested by the Court, an evaluation of Tricon Lifestyle Rentals Investment LP's ("**Tricon**") interest in the Property.

16. Pursuant to the Mandate, the Information Officer held a number of diligence meetings with and reviewed extensive Information received from:

    (a) Representative Counsel and the Official Committee;

    (b) the Company, its principal Mr. Jim Neilas and McCarthy;

    (c) BMO (the Company's real estate broker);

    (d) Hi-Rise and Cassels; and

    (e) Lanterra Developments Inc., Tricon and certain other parties that expressed an interest in or were otherwise involved in the Sale Process (the "**Interested Parties**").

17. The Information Officer's conclusions and other findings are outlined in the last section of this Report.

THE INFORMATION OFFICER'S REVIEW

Case Background

18. The affidavit of Noor Al-Awqati (sworn March 19, 2019 and found at Tab 2 of the Initial Application Record) (the "**Al-Awqati Affidavit**") sets out the history of the Company and the Property, including Hi-Rise's involvement as administrator and trustee of the SMI, which is summarized below:

    (a) the Company purchased the Property in June of 2011 for the purpose of developing a high-rise condominium;

    (b) Jim Neilas is the President and majority shareholder of Holdings, the parent company of Adelaide;

    (c) Meridian Credit Union Limited ("**Meridian**") holds a first mortgage in respect of the Property and has registered a charge in that regard (the "**Meridian Mortgage**"). As of the date of this Report, Meridian is owed approximately $17.0 million, including principal and accrued interest; and

    (d) the SMI is a second mortgage in respect of the Property and Hi-Rise has registered charges in that regard. As of the date of this Report, the debt owing under the SMI is approximately $67.9 million, including principal and accrued interest. As such, there is approximately $84.9 million in outstanding secured debt on the Property[2].

[2] Materials provided to the Information Officer indicate that Meridian has a first mortgage on the Property and the SMI ranks subordinate to Meridian. Neither the Information Officer nor its counsel have conducted a security review.

19. Following its acquisition of the Property, the Company took steps to advance the development prospects of the Property, including engaging various professionals and submitting zoning, development and building applications. During this time, and prior to the commencement of the formal marketing and sale process described below, the Information Officer understands that the Company explored and pursued various strategic alternatives in an attempt to test the market and potentially divest all or part of the Property. During this period however, a formal marketing process was never initiated and no executable sale transaction materialized.

20. As described in the Al-Awqati Affidavit, following the events in 2017 referred to as the syndicated mortgage "freeze", Hi-Rise began working with its borrowers in order to commence a voluntary wind-up of its syndicated mortgages portfolio and instructed a number of its borrowers to commence marketing and sale processes to divest the properties to which it was lending. In this regard, the Company commenced a marketing and sale process for the Property.

21. Due to the impact of the syndicated mortgage freeze, Hi-Rise stopped making cash interest payments to Investors in relation to the Property in April of 2017 and stopped raising new funds from Investors in October of 2017.

BMO's Engagement by the Company

22. The Information Officer understands that the Company considered a small group of reputable parties to act as its broker and conduct a marketing and sale process on its behalf. This group was narrowed down and the Company requested proposals from two brokers, BMO and CBRE Limited. The Company interviewed the two parties and ultimately selected BMO to act as its broker in June of 2017.

23. Pursuant to its engagement letter, BMO's compensation for undertaking the marketing and sales process would be a contingency fee based on gross sales price, including increased compensation for a sale price exceeding certain thresholds.

24. BMO's mandate was to assist in the design and implementation of a marketing and sale process for the Property, including:

    (a) assisting in the development of an investment summary, confidential information memorandum ("**CIM**"), an electronic data room and other diligence materials;

    (b) compiling a list of potentially interested parties, communicating with such parties in respect of the opportunity and making itself available to answer questions and address diligence requests; and

    (c) negotiating with interested parties during the process in order to maximize the purchase price of potential offers. The Information Officer notes that the maximum purchase price is not necessarily the same as the maximum cash consideration available on closing[3].

25. Based on discussions with BMO and a review of the information provided, the Information Officer understands the marketing and sale process followed BMO's standard two phased process:

    (a) during the first phase ("**Phase 1**"), potentially interested parties are contacted to solicit interest, an investment summary is provided and parties that sign a non-disclosure agreement ("**NDA**") are invited to undertake due diligence and submit a letter of interest ("**LOI**"). These Phase 1 LOIs are evaluated to determine which

[3] The Information Officer understands that as a result of increased land values and construction costs, it is now more common for real estate transactions especially in downtown Toronto to include joint venture and/or vendor takeback structures which allow for higher purchase prices but lower cash consideration on closing.

parties, if any, would be invited to participate in a second phase (the "**Qualified Parties**"); and

(b) during the second phase ("**Phase 2**"), Qualified Parties are given additional time to perform due diligence and are encouraged to enhance their purchase price and limit conditions. Qualified Parties are provided a standard form of agreement of purchase and sale ("**APS**") and are requested to submit final bids by marking-up and submitting an APS by the bid deadline.

26. The Information Officer is of the view that: (a) BMO is an experienced and qualified broker and advisor capable of running a robust and competitive marketing and sale process; (b) BMO's engagement letter is consistent with industry standards and provided appropriate incentive to achieve the maximum sale price possible in the circumstances; and (c) the marketing and sale process was of a typical structure and consistent with similar real estate processes designed to achieve the maximum sale price possible in the circumstances.

The 2017 Sale Process

27. BMO commenced its first marketing and sale process in June of 2017 (the "**2017 Sale Process**"). The 2017 Sale Process was a combined process for the Property (i.e. 263 Adelaide Street West) and a second parcel of real estate located at 40 Widmer Street in Toronto ("**Widmer**")[4]. Interested Parties were advised that they could bid on both properties together or each individually.

28. The Information Officer understands that BMO contacted over 2,500 parties to solicit interest in the 2017 Sale Process. BMO received 47 executed NDAs of which ten parties

[4] Widmer is located in close proximity to the Property and was previously owned by an entity ultimately controlled by Jim Neilas.

submitted LOIs on or before the Phase 1 bid deadline of September 7, 2017. Of this group, seven bidders submitted an LOI for both the Property and Widmer (the "**Joint Offer LOIs**") and three bidders submitted an LOI for Widmer only. No bidder submitted an LOI for the Property only.

29. The consideration outlined in the seven Joint Offer LOIs received for the Property ranged in value from $43.7 million to $80.0 million. The Information Officer understands that 2017 Phase 1 bids were presented to the Company on a "no-names" basis in order to preserve the integrity and competitive nature of the 2017 Sale Process.

30. BMO invited five of the ten bidders to participate in Phase 2 as Qualified Parties. The Information Officer understands the five Qualified Parties were selected based on the quantum of their purchase price and the quality of the diligence they had performed. Of the five Qualified Parties, two parties had interest in Widmer only, leaving three Qualified Parties with interest in the Property. The range in values offered by such parties in respect of the Property was $59.4 million to $80.0 million.

31. The five remaining Qualified Parties (including the three with interest in the Property) were requested to submit final bids by the Phase 2 bid deadline of September 19, 2017 in the form of a marked-up APS.

32. Of the three Qualified Parties which submitted Joint Offer LOIs: (a) one party, Concord Adex Buildings Limited ("**Concord**"), submitted a formal bid in the form of a marked-up APS; (b) a second party expressed its bid verbally to BMO; and (c) the third party declined to submit a bid.

33. Concord was the leading Qualified Party in respect of both the Property and Widmer and was granted a period of exclusivity to complete its diligence and execute an APS on each of the properties.

34. The Information Officer understands that during its due diligence period, Concord communicated to BMO that primarily due to a number of construction challenges relating to the Property it would not proceed with its contemplated transaction[5].

35. Concord completed its diligence and the closing of its purchase transaction in respect of Widmer occurred in December of 2017.

36. The construction challenges identified by Concord, as well as the other Interested Parties participating in the 2017 Sale Process, included, but were not limited to, the following:

    (a) *Heritage Wall*: The north-façade of the Property (the "**Heritage Wall**") has been designated by the City of Toronto (the "**City**") as a "heritage site" and may not be removed, demolished, or altered without approval from the City;

    (b) *Site Issues*: The Property is situated on a site that is currently land-locked by surrounding properties, including sites currently under construction, with the only access available on Adelaide Street. Adelaide Street is a one-way street that is heavily trafficked by pedestrians, cyclists and vehicles. Access to the Property is also located directly across from a fire station;

    (c) *Rental Replacement*: Prior to developing the Property, the City imposes certain conditions that must be satisfied in connection with any residential tenants currently on the site; and

[5] As of the date of this report, the Information Officer has not been able to schedule a meeting with Concord to discuss its participation in the 2017 Sale Process.

(d) *Easements*: The Property and surrounding area are subject to a number of easements. It is unclear whether or not such existing easements would be sufficient for construction purposes.

(collectively referred to as the "**Construction Challenges**").

37. Based on discussions with the Interested Parties, the Information Officer understands that the Construction Challenges created a high level of uncertainty in relation to the costs and the time required to demolish and develop on the site of the Property, hindering their ability to participate in the 2017 Sale Process and/or submit a firm and executable bid for the Property.

The 2018 Sale Process

38. In an effort to address the Construction Challenges and other issues raised during the 2017 Sale Process, the Company took steps and incurred expenditures to mitigate certain issues and assist Interested Parties with diligence. These steps included:

(a) commissioning two construction methodology reports[6];

(b) executing a Heritage Easement Agreement (October 16, 2017) with the City in order to allow the Heritage Wall to be altered for future development under certain conditions; and

(c) obtaining certain additional approvals from the City related to rental replacement, community contribution (Section 37), and storm water management agreements.

[6] The two reports include: (i) 263 Adelaide St. West Methodology Report (dated February 12, 2018) prepared by Ledcor Group (the "**Ledcor Report**"); and (ii) 263 Adelaide St Preconstruction Report No. 1 (dated June 19, 2018) prepared by EllisDon Corporation (the "**EllisDon Report**").

39. The Company has indicated that it incurred in excess of $2.7 million in third party costs to continue to improve the marketability of the Property, and that such costs were funded directly by Holdings. This amount excludes any costs that may be owing by Adelaide to Holdings for ongoing management fees, which are estimated by Holdings to be an additional $2.5 million.

40. Following the steps taken above, the Company re-engaged with BMO and a second sale process was commenced in August of 2018 (the "**2018 Sale Process**" and together with the 2017 Sale Process, the "**Sale Process**").

41. The Information Officer understands that BMO contacted over 2,500 parties to solicit interest in the 2018 Sale Process. BMO received 37 executed NDAs of which, four bidders submitted LOIs on or before the 2018 Phase 1 bid deadline of September 18, 2018.

42. The 2018 Phase 1 LOIs ranged in value from $59.1 million to $75.0 million. The Information Officer understands that the 2018 Phase 1 bids were presented to the Company on a "no-names" basis in order to preserve the integrity and competitive nature of the Sale Process.

43. The Information Officer reviewed each of the LOIs and noted that each were subject to various diligence and other closing conditions, including further construction and development related investigations, satisfaction with the viability, feasibility and costs associated with development, satisfaction that the Property meets investment and development criteria, receiving certain approval from the City including amendments to the existing Heritage Easement Agreement, receiving a court order to extinguish/amend easements, executing construction agreements with adjacent property owners and obtaining approval from boards of directors or investment committees.

44. Two bidders were advanced by BMO to participate in Phase 2, including: (a) Lanterra Developments Limited ("**Lanterra**") which submitted an LOI valued at $75.0 million; and (b) a second bidder (the "**Second Bidder**") which submitted an LOI valued at $70.0 million. The Information Officer understands that Lanterra and the Second Bidder were selected based on the quantum of their purchase price and the quality of diligence performed[7].

45. Lanterra and the Second Bidder (the "**2018 Qualified Bidders**") were each sent a process letter requesting they submit final bids by October 5, 2018 (the "**2018 Phase 2 Bid Deadline**") in the form of a marked-up APS. The Information Officer understands that neither party submitted a final offer prior to the 2018 Phase 2 Bid Deadline. Following discussions with Lanterra and the Second Bidder, BMO determined the parties were not prepared to submit definitive offers at the purchase prices offered in their LOIs due to continued concern and uncertainty with the Construction Challenges.

46. Following the 2018 Phase 2 Bid Deadline, BMO began exploring alternate transaction structures with the two bidders executable at the purchase prices offered in their LOIs. Based on these discussions, BMO determined that in order to effect a transaction while maximizing the purchase price, the 2018 Phase 2 Bid Deadline should be extended and the 2018 Qualified Bidders should be invited to submit joint venture proposals.

47. The Information Officer understands that joint venture structures typically allow for higher purchase prices for various reasons, including, without limitation, the sharing of risk and

[7] The Information Officer notes that a third party submitted a 2018 Phase 1 bid comparable in value to that of the Second Bidder. The Information Officer understands from BMO that in its view, this party had not performed a significant amount of diligence, was not prepared to increase its purchase price and would not remove significant conditions included in its bid and accordingly was not invited to participate in Phase 2. Based on discussions with this party, the Information Officer is of the view that BMO's rationale to not advance this party to Phase 2 was reasonable in the circumstances.

the lower initial cash outlay required by the prospective purchaser, thereby increasing their rate of return.

Joint Venture Proposals

48. During October of 2018, the 2018 Qualified Bidders were invited to meetings with BMO and the Company to discuss and explore their intentions for the Property, including how they intended to deal with the Construction Challenges.

49. Following these meetings, the 2018 Qualified Bidders were requested to submit a joint venture proposal ("**JV Proposal**") that would provide for their final and best offer.

50. Lanterra submitted a JV Proposal on November 13, 2018 (the "**Lanterra JV Proposal**"). The Second Bidder submitted formal correspondence to BMO regarding continued interest in the Property but did not submit a formal JV Proposal by the requested date.

51. The Information Officer understands from BMO that after numerous meetings with the Second Bidder, it settled on a joint venture structure in a form that could be presented to the Company.

52. The Information Officer understands that two additional parties expressed interest to BMO in participating in a joint venture and submitted a JV Proposal. One of these JV Proposals was in an acceptable form, while the other was not and accordingly was not considered to be qualified.

53. In December of 2018, the three JV Proposals were presented to the Company on a "no-names" basis. Following additional meetings and review, the Information Officer understands that the Company selected the Lanterra JV Proposal based primarily on the following factors:

(a) the Lanterra JV Proposal provided for the highest purchase price and greatest potential profit at completion of development. As noted earlier in this Report, it has become more common for downtown Toronto land transactions to include certain structures that increase purchase price but decrease cash consideration on closing. The Information Officer understands from discussions with Lanterra that its purchase price was premised on a joint venture structure as it allows for the sharing of risks and a lower initial cash investment that is needed to achieve its required rate of return;

(b) Lanterra had performed extensive diligence and investigation on the Property and spent considerable time and effort developing approaches to address the Construction Challenges; and

(c) Lanterra is a reputable developer with extensive experience building in downtown Toronto on sites that contained construction challenges similar to those at the Property.

54. Throughout January and February 2019, the Company and Lanterra worked towards settlement of the Lanterra JV Proposal. The parties reached an agreement on a letter of intent with Lanterra on February 13, 2019.

55. In March and April 2019, the Company and Lanterra continued to negotiate a term sheet which was ultimately executed on April 10, 2019 (the "**Term Sheet**").

ASSESSMENT OF THE SALE PROCESS

56. The Information Officer reviewed the design and implementation of the Sale Process, a short list of the parties contacted[8] and each of the bids submitted during all phases of the Sale Process. A summary of the Information Officer's conclusions is as follows:

(a) the design of the Sale Process was typical of such marketing and sale processes in the real estate industry;

(b) the materials utilized, including the investment summary, CIM and documents uploaded to the electronic data room were robust;

(c) the list of potentially interested parties compiled by BMO was extensive, thorough, and provided for wide market coverage;

(d) the Sale Process allowed interested parties adequate opportunity to conduct due diligence and the timelines provided for were reasonable;

(e) the activities undertaken by BMO were thorough and professional, and consistent with the activities that a competent advisor or broker would be expected to undertake;

(f) BMO was appropriately incentivized to achieve the highest value available for the Property;

(g) the steps taken by BMO, including the selection of bidders to advance into further rounds, were consistent with the activities that other brokers or sale advisors would be expected to perform; and

[8] The Information Officer understands BMO contacted over 2,500 parties in connection with each of the marketing and sale processes. The Information Officer determined it was not feasible to review all of the parties and instead reviewed a short list of Interested Parties.

(h) BMO sought to maximize transaction value by adjusting the Sale Process to include joint venture proposals when no cash offers materialized.

57. To gain a better understanding of the Sale Process and results thereof, the Information Officer held a number of discussions with Interested Parties to discuss matters including, but not limited to, the following:

(a) was there any concern or issue with respect to the Sale Process and how it was run?

(b) was BMO attentive and responsive in conducting the Sale Process?

(c) what were the primary reasons why Interested Parties did not further pursue a transaction?

58. The Information Officer's findings from discussions with the Interested Parties are summarized as follows:

(a) no concerns were identified with respect to the Sale Process or how it was conducted;

(b) the Interested Parties were complimentary of the work undertaken by BMO, noted BMO was helpful and responsive in all instances and no concerns were identified with respect to their conduct;

(c) despite the steps taken by the Company to address the Construction Challenges, the Interested Parties raised significant concern regarding the uncertainty of the costs and timing of construction, in particular that changes may be required to the design and zoning of the Property and the uncertainty in connection with the Heritage Wall and other constructability issues with the site. Interested Parties commented that given the high level of uncertainty, initial purchase prices submitted in LOIs would need to be materially discounted or an alternate structure would be required (i.e. a

joint venture or vendor takeback structure) in order to transact at such purchase prices; and

(d) certain Interested Parties informed the Information Officer that based on market trends at the time and comparable transactions, including Widmer, they did not participate in the Sale Process or submit formal offers because they did not wish to transact at such values.

59. Based on its review, the Information Officer is of the view that the Sale Process was a thorough market test, that sufficient effort had been made to obtain the best price in respect of the Property and that the process was executed with proper efficacy and integrity.

60. In particular, the Information Officer concludes that the design and implementation of the Sale Process was consistent with industry standards and was carried out by BMO in a thorough and professional manner.

61. The Information Officer notes that the Sale Process was not specifically designed with the goal to maximize the cash proceeds on closing but to maximize the consideration and ultimate proceeds thereof, even if portions of proceeds may be deferred until a later date. In that regard, the Sale Process was consistent with BMO's mandate to maximize transaction value.

LANTERRA TRANSACTION

Lanterra Offer

62. As previously discussed, on April 10, 2019, Lanterra and the Company entered into the Term Sheet setting out the key terms of the joint venture agreement. On June 28, 2019, following further negotiations and refinement of deal points, Lanterra and the Company

entered into a Waiver and Amending Agreement dated June 28, 2019 (the "**JV Agreement**" and together with the Term Sheet, the "**Lanterra Transaction**").

63. The Information Officer was provided with copies of the Term Sheet, the JV Agreement and all related schedules. The Information Officer understands that the Company and Lanterra consider these documents to be confidential and has not appended them hereto but has instead included a summary of key terms:

Lanterra Transaction	
JV Transaction	▪ Lanterra and the Company to form a single purpose limited partnership ("**LP**") in which Lanterra would acquire an interest in 75% of the Property and the assets, books and records related to the redevelopment of the Property (the "**Lanterra Project**"). The Company would retain a 25% interest in the Lanterra Project; ▪ BRE Fund LP**,** being part of the Bank of Montreal's private equity group, will have the option to purchase 15% of Lanterra's interest (the "**Investor Option**") in the Lanterra Project.
Transaction Value and Initial Capitalization	▪ Transaction value of $73.15 million, capitalized as follows: i. LP will grant a first mortgage on the Property in the amount of $36.58 million (the "**First Mortgage**"); ii. The Company will be granted a vendor takeback mortgage of approximately $18.29 million (the "**VTB**"); and iii. The Company will contribute equity-in-kind of approximately $18.29 million in exchange for its 25% share of the Lanterra Project.
First Mortgage Terms	▪ The LP will immediately distribute the mortgage proceeds as follows: i. to discharge the Meridian Mortgage; and ii. to be used as a return of capital to allow it to retire the Syndicated Mortgage.
VTB Mortgage Terms	▪ Secured against title to the Property, ranking behind the First Mortgage and any surety financing. Will not be subordinate to construction financing; ▪ Expires on the earlier of (a) receipt of certain construction permits; and (b) three years from the closing date of the Lanterra Transaction; ▪ Bears interest at 5% per annum during the first two years and 8% per annum for the final year; ▪ Entirety of the VTB to be guaranteed by Lanterra; and ▪ Lanterra to repay principal and interest then due on the VTB out of Lanterra's own resources.

Interest Reserve	▪ Lanterra will fund approximately $1.85 million to an interest reserve account to prefund the first two years of interest obligations under the VTB.
Company's Fees	▪ The Company is entitled to the following fees: i. Development Fee: 0.25% of revenues from the Lanterra Project[9]; and ii. Property Management Fee: $5,000 per month during the term of the Lanterra Project (5-6 years).
The Company Guarantee	▪ The Company is required to jointly and severally guarantee 25% of all obligations of the LP in respect of any project debt.

64. The Information Officer understands that Lanterra has completed all diligence and provided the deposits contemplated in the Term Sheet. Closing of the Lanterra Transaction is subject to: (a) approval of the Investors (as described further below); and (b) execution of certain documents including definitive agreements governing the LP, the Investor Option, and agreements for development, construction and property management (the "**Transaction Agreements**"). The Information Officer has been provided with current drafts of the Transaction Agreements and understands they have been substantially negotiated.

65. The Information Officer notes that definitive documents related to the VTB have not yet been drafted.

The Company's Projected Returns

66. The Information Officer has been provided with a copy of a financial forecast in respect of the Lanterra Project (the "**Proforma**"), which is attached as **Appendix "B"**. The Proforma estimates the development will take up to six years and projects a total profit of

[9] Should BRE Fund LP exercise its option, and achieve a baseline internal rate of return, the Company could be eligible for an additional Deferred Development Fee of 0.5% of Project Revenues.

approximately $66.0 million to the LP, based on Lanterra's estimate of revenues and expenses.

67. Based on the Information Officer's review of the Proforma and the Lanterra Transaction, the Company's projected return at the completion of the Lanterra Project is estimated to be approximately $34.8 million, comprised of:

    (a) a return of capital of approximately $18.3 million (i.e. the Company's initial contribution for 25% interest in the LP); and

    (b) the Company's share of the potential profit of approximately $16.5 million (i.e. 25% of $66.0 million).

68. In addition to the above proceeds, the Company is projected to earn approximately $3.0 million over the term of the Project (up to 6 years) in connection with development and property management fees.

69. As described in the following section, the Information Officer understands that the Company is proposing to provide a $15 million debenture to Investors as additional compensation in connection with the Proposed Settlement. Should the Proforma be representative of actual Lanterra Project economics, the Company's potential profit and fees, net of the obligations owing under the debenture, would equal approximately $22.8 million, excluding any tax considerations (i.e. $34.8 million plus $3.0 million less $15.0 million). The Company has indicated that the remaining share of potential profit is to compensate Holdings: (a) for time and effort to assist Lanterra in completion of the Lanterra Project; and (b) to recoup funds advanced by Holdings to Hi-Rise and Adelaide to fund both operations and additional costs incurred to improve the Property subsequent to the syndicated mortgage freeze. Should the Lanterra Project fail in its entirety, Holdings

could be liable for up to 25% of the outstanding Lanterra Project debt pursuant to certain loan guarantees.

70. Future success and profit of the Lanterra Project is dependent upon many factors, including market conditions, timing of completion and ultimate construction costs. While the development and property management fees would be earned over the life of the Lanterra Project, the return of capital and profit share would not be earned by the Company until project completion which is currently estimated at approximately five to six years. Actual results may differ significantly from that of the Proforma.

71. The Information Officer notes that the Bank of Montreal may continue to participate in the joint venture after closing through advancement of the First Mortgage and potential participation in the Investor Option. It is the understanding of the Information Officer that the First Mortgage is being arranged directly by Lanterra (with no Company involvement) and the Investor Option was negotiated at the direction of the Company after Lanterra was selected as the preferred party.

72. Based on its review of the Information and discussions with the parties noted in paragraph 16 of this Report, nothing has led the Information Officer to conclude that the Lanterra Transaction would be considered to be an improvident transaction.

PROPOSAL TO INVESTORS

73. A fundamental condition in the Lanterra Transaction is for the Company to discharge the SMI registered against title to the Property. On September 6, 2019, Hi-Rise provided an Information Statement (the "**Information Statement**") to Investors which, among other things, calls for a meeting of Investors in order for the Investors to conduct a vote on the Proposed Settlement. The Information Officer understands the Meeting is currently

contemplated to be held on October 23, 2019. The Information Statement was attached to the Second Report of Counsel as Appendix "AA", and has been attached to this report as **Appendix "C"**. A summary of the key financial terms is as follows:

Information Statement	
Classes of Investors	▪ Two types of Investors, those who hold their beneficial interest in the Syndicated Mortgage via a registered investment plan (the "**Registered Investors**") and those who hold their beneficial interest in the Syndicate Mortgage directly with Hi-Rise (the "**Non-Registered Investors**"). Registered Investors are provided a priority in the waterfall; and ▪ Approval will require Investors representing two thirds in value and majority in number to vote in favour of the Proposed Settlement.
Offer to Settle	▪ Repayment to Investors of approximately $17,036,000 on closing (the "**Initial Settlement**"); ▪ Investors to have the benefit of the VTB of $18,270,000. The terms of the VTB are described in the overview of the Lanterra Transaction. Purchaser has agreed to provide a full corporate guarantee on the VTB[10]; and ▪ A debenture from Holdings in the amount of $15,000,000 (the "**Debenture**")[11], unsecured and non-interest bearing, payable six years from the date of closing.
Guarantees in Respect of Debenture	▪ Corporate guarantee of Holdings; and ▪ Personal guarantee by Jim Neilas limited to 25% of the total debenture.
Implementation	▪ October 23, 2019 – Meeting to vote on the Proposed Settlement ▪ November 2019 – Final Court Order ▪ December 2019 – Closing & Initial Repayment to Investors ▪ December 2021 or December 2022 – Repayment of VTB ▪ December 2025 (estimate) – Debenture paid

[10] The Information Officer understands that specific documentation related to the structure of the VTB and the Debenture has not yet been prepared.

[11] The Information Statement includes an $8,000,000 Debenture, however, the information Officer is advised by the Company that the current Proposed Settlement now contemplates a $15,000,000 Debenture.

74. The Information Officer understands from Hi-Rise that the Registered Investors rank in priority to the Non-Registered Investors for principal, interest accrued to date and interest continuing to accrue. The Information Officer has not performed a legal review of these priorities but understands that Representative Counsel will be setting out its analysis of priorities in a report, to be filed with the Court.

75. The Information Officer understands that upon approval of the Proposed Settlement, no further interest will accrue to Investors and rights to any further interest payments, if any, are waived.

76. Based on the information contained in the Information Statement, together with additional information provided by the Company, Hi-Rise and GT, the Information Officer projected potential Investor recoveries from the Proposed Settlement, including timing of receipt of funds, which can be found in detail in **Appendix "D"** and is provided in summary form below.

Projected Return to Investors (in '000s)			
	Notes	**Undiscounted**	**Present Value as at Dec. 2019[10]**
Proceeds from Lanterra Transaction			
First Mortgage (December 2019)	*1*	36,575	36,575
VTB Mortgage Interest Reserve (December 2019)	*2*	1,850	1,850
VTB Mortgage (December 2021)	*3*	18,270	15,099
Proceeds from Lanterra Transaction		**56,695**	**53,524**
Less: Retirement of Meridian Mortgage	*4*	(17,218)	(17,218)
Less: BMO Sale Fee	*5*	(1,615)	(1,615)
Less: Hi-Rise Cost Recovery	*6*	(2,214)	(2,214)
Less: Property Taxes	*7*	(343)	(343)
Proceeds from Lanterra Transaction available to Investors		**35,306**	**32,135**
Add: Debenture (December 2025)	*8*	15,000	8,467
Total Proceeds available to Investors		**50,306**	**40,602**
Proposed Distributions to Registered Investors			
On Closing (December 2019)		17,036	17,036
On Repayment of VTB Mortgage (December 2021)		5,280	4,364
Total Distribution to Registered Investors		**22,316**	**21,399**
Return to Investors Excluding Interest Paid to Date	*9*	*100%*	*96%*
Proposed Distributions to Non-Registered Investors			
On Closing (December 2019)		-	-
On Repayment of VTB Mortgage (December 2021)		12,990	10,736
On Completion Date (December 2025)		15,000	8,467
Total Distribution to Non-Registered Investors		**27,990**	**19,203**
Return to Investors Excluding Interest	*9*	*60%*	*41%*
Total Proposed Distribution to Investors		**50,306**	**40,602**

Summary of Notes & Key Assumptions

1. The Information Officer understands that proceeds from the First Mortgage and VTB Interest Reserve will be distributed to Investors on, or shortly after, closing of the Lanterra Transaction.

2. Notwithstanding the provisions of the Term Sheet, it is anticipated that the full amount of the VTB Interest Reserve will be paid to Investors at close (December 2019).

3. Repayment of the VTB is anticipated to be after two or three years. The Information Officer understands that the VTB may be extended for a third year with Investors receiving additional cash interest at 8% of the principal amount.

4. Amounts owing in respect of the First Mortgage will be paid to Meridian on closing of the Lanterra Transaction. Hi-Rise has estimated the balance above based on accrued interest to December 11, 2019 and including a provision for legal fees.

5. The BMO Sale Fee is estimated by Hi-Rise based on the terms of the BMO engagement letter and a transaction value of $75.0 million (transaction value of $73.15 million plus prefunding of VTB interest of $1.85 million). The Information Officer reviewed the calculation of this fee and notes that the balance presented above includes HST, which, if recoverable by the Company may slightly increase amounts distributed to Investors.

6. As further discussed below, the Information Officer understands that Hi-Rise asserts that pursuant to agreements with Investors, Hi-Rise has the ability to recover certain costs. The costs included above by Hi-Rise include the legal and professional fees related to this process, including Hi-Rise's counsel, the Company's counsel, Representative Counsel, the Information Officer and a provision for other consultants and costs incurred by Holdings.

7. Property taxes were estimated by Hi-Rise based on amounts outstanding as at October 1, 2019 plus two months' accrued interest on the property taxes.
8. The Information Officer understands from the Company that the Proposed Settlement now contemplates a $15 million Debenture that would be paid to Investors upon the completion of the Lanterra Project (i.e. approximately 6 years).
9. Total projected return to investors are calculated as follows: (total return / (principal plus accrued interest to December 2019)). This excludes return from interest previously paid to Investors.
10. For presentation purposes only, the Information Officer has included the present value of distributions based on the current anticipated timing of certain payments and a 10% discount factor.

77. Included in the table above, the Information Officer has estimated the present value of contemplated payments to illustrate the impact of the deferred distributions to Investors (i.e. the VTB and Debenture). The present value of deferred distributions was calculated using a discount rate of 10% which the Information Officer understands from Hi-Rise is the indicative interest rate they pay to Investors (interest rates vary depending on the time of the investment). The distributions from the repayment of the VTB are assumed to be collected two years from closing (December 2021) and the proceeds from the Debenture are assumed to be collected six years from closing (December 2025).

78. The Information Officer understands that in development of the Proposed Settlement, Hi-Rise and/or the Company is seeking reimbursement of certain costs related to the Lanterra Transaction and the Proposed Settlement (legal and other fees totaling $1.2 million) and Holdings' own costs of $1.0 million, for a total of $2.2 million. While Hi-Rise/the Company have asserted that actual costs are higher than $2.2 million, the Information Officer understands that the Company is proposing a $2.2 million cap.

79. As further detailed in the GT Report dated August 30, 2019 (the "**GT Report**"), and confirmed through communication with Cassels, the Information Officer understands that Hi-Rise and/or the Company are taking the position that they are actually entitled to a priority of up to $9.0 million pursuant to the participation/administration agreements with

Investors for costs incurred to enhance the value of the Property and would be seeking same in the event that the Property becomes subject to receivership proceedings (the "**Potential Priority Costs**"). The Information Officer understands that $5.1 million of the Potential Priority Costs were incurred by Hi-Rise (the "**Hi-Rise Potential Priority Costs**") and $4.2 million of costs were incurred by Adelaide. Neither the Information Officer or GT have undertaken a legal review of the Potential Priority Costs. The Information Officer notes that of the $5.1 million in Hi-Rise Potential Priority Costs, approximately $0.4 million relate to Representative Counsel's legal fees which form a priority charge on the Property. The Information Officer understands that litigation risk in relation to the Potential Priority Costs should be considered by the Investors in their evaluation of the Proposed Settlement.

80. The following table further summarizes the projected distributions and overall recoveries to Investors. Recoveries have been estimated based on total amounts owing to Investors, including interest and principal[12] per the books and records of Hi-Rise, including interest accrued to December 11, 2019 and are presented below on an undiscounted basis:

[12] The Information Officer understands that the recovery calculations included in the Information Statement provided to Investors are based only on principal outstanding.

Recovery Analysis (Undiscounted)			('000s)
	Registered	**Non-Registered**	**Total**
Principal Invested	17,305	34,802	52,108
Estimated Accrued Interest as at December 2019	5,010	11,766	16,776
Total Principal and Interest Owed	**22,316**	**46,568**	**68,884**
On Closing (December 2019)	17,036	-	17,036
On Repayment of VTB (December 2021)	5,280	12,990	18,270
On Completion Date (December 2025)	-	15,000	15,000
Total Projected Recoveries	**22,316**	**27,990**	**50,306**
Total Projected Recoveries (%)	***100%***	***60%***	***73%***
Add: Cash Interest Received to Date	3,095	7,431	10,526
Total Projected Recoveries and Interest	**25,410**	**35,421**	**60,832**
Total Projected Recoveries and Interest (%)	***114%***	***76%***	***88%***

81. Based on the Proposed Settlement, Registered Investors are projected to receive a 100% recovery:

(a) approximately $17.0 million at close (December 2019) from the proceeds of the new First Mortgage and the payment of the VTB Interest Reserve; and

(b) approximately $5.3 million two years from close (December 2021) from the repayment of the VTB.

82. Non-Registered Investors are projected to receive a 60% recovery:

(a) approximately $13.0 million two years from close (December 2021) from the repayment of the VTB; and

(b) approximately $15.0 million six years from close (December 2025) from the payment of the Debenture.

83. The Information Officer notes that these recoveries have not been discounted and certain of the distributions (i.e. the Debenture) could be contingent on the success of the Lanterra Project, however the Information Officer also notes that the Debenture is to be wholly guaranteed by Holdings and 25% is guaranteed by Jim Neilas personally.

OTHER INDICATIONS OF POTENTIAL VALUE

84. The Information Officer has considered other indications of value and whether there may be viable alternatives to the Proposed Settlement, in particular the following:

(a) the Tricon offer;

(b) Third Party Appraisals; and

(c) re-opening the marketing and sale process / Receivership.

Tricon Offer

85. The Information Officer understands that Tricon[13] first expressed interest in the Property in or around August of 2016. The Information Officer has been provided with and reviewed email correspondence between Tricon and the Company and understands that Tricon performed diligence on the Property and several meetings between Tricon and the Company were held. Ultimately, Tricon and the Company were unable to come to any type of arrangement prior to commencement of the 2017 Sale Process.

86. The Information Officer understands that Tricon participated in the 2017 Sale Process. Tricon submitted a Phase 1 bid but due to its relative value, was not invited to participate in Phase 2. Tricon was invited by BMO to participate in the 2018 Sale Process but declined to participate.

87. As described in the Second Report of Counsel, Representative Counsel received an unsolicited expression of interest in respect of a cash purchase of the Property from Tricon. The offer was initially in the form of a non-binding letter of interest dated July 9, 2019.

[13] Tricon is a subsidiary of the Tricon Capital Group Inc. a residential real estate company primarily focused on rental housing in North America, with approximately $7.2 billion (C$9.7 billion) of assets under management. Tricon invests in a portfolio of single-family rental homes, multi-family rental apartments and for-sale housing assets, and manages third-party capital in connection with its investments. More information about Tricon is available at: www.triconcapital.com.

On July 19, 2019, Tricon submitted a refined offer in the form of a marked-up APS (the "**Tricon Offer**").

88. The Information Officer understands the Tricon Offer was provided to both Representative Counsel and to BMO. Key terms and components of the Tricon Offer include the following:

Tricon Offer	
Purchaser	▪ Tricon Lifestyle Rentals Investment LP
Purchase Price	▪ $72.0 million; ▪ Payment of the Purchase Price: i. $2.0 million deposit on the third business day following execution of the APS ("**First Deposit**"); ii. $3.0 million deposit on the third business day following the Due Diligence Date ("**Second Deposit**"); and iii. Balance of the of the Purchase Price on the Closing Date ("**Final Payment**"). ▪ The First Deposit and Second Deposit shall be returned to the Purchaser if the transaction is not completed for any reason except as a result of a default of the Purchaser under the APS; ▪ The Final Payment is subject to customary real estate transaction closing adjustments.
Due Diligence Conditions	▪ The Purchaser has requested a number of additional diligence materials (the "**Deliveries**") from the Vendor; ▪ Following the receipt of all of the Deliveries, the Purchaser shall have 45 days to review the Deliveries and perform any additional due diligence that may be required; ▪ The APS includes the following due diligence condition for the benefit of the Purchaser: "*by the Due Diligence Date (i.e. 45 days), the Purchaser shall have examined and been satisfied, in the Purchaser's sole, absolute and unfettered discretion, <u>which may be exercised arbitrarily for any reason or for no reason at all</u>, with the results of the its due diligence enquiries, tests and investigations in respect of the Purchase Assets, including the Purchaser's review of the Deliveries*"; [emphasis added]
Closing Date	▪ 45 days after the Due Diligence Date. The Due Diligence Date (45 days) and the Closing Date (45 days) provide the Purchaser with 90 days to close the transaction following receipt of all of the Deliveries; ▪ Purchaser to be granted exclusivity.

89. Based on its review of the Tricon Offer, the Information Officer notes the following:

(a) the Tricon Offer of $72.0 million is materially higher than the $55.9 million offer Tricon submitted during Phase 1 of the 2017 Sale Process;

(b) compared to the Lanterra Transaction, the Tricon Offer provides for slightly lower consideration, however would provide a better return to Investors, assuming a similar distribution waterfall as the Proposed Settlement, because greater cash distributions would take place on closing, or shortly thereafter;

(c) in its current form the Tricon Offer remains subject to the due diligence condition described above, as well as approval from Tricon's Board of Directors and Investment Committee;

(d) if the due diligence condition is not waived by Tricon, Tricon could walk from the proposed transaction and receive a full refund of the First Deposit and Second Deposit, without penalty;

(e) the Tricon Offer was not submitted in accordance with the Sale Process guidelines and bid deadlines; and

(f) if the Company was to pursue the Tricon Offer, the exclusivity requirement would require the Company to terminate the Lanterra Transaction.

90. Based on discussions with Tricon, the Information Officer understands:

(a) Tricon has performed diligence on the Property, including prior to and during the 2017 Sale Process, and has recently updated its diligence by working with one of its trusted construction partners;

(b) Tricon did not participate in the 2018 Sale Process primarily because it believed its proposal would not be sufficient to meet the pricing expectations set by BMO at that time[14];

(c) by not participating in the 2018 Sale Process, Tricon did not have access to certain of the additional materials made available to Interested Parties in the electronic data room during such process;

(d) Tricon appears to be familiar with each of the Construction Challenges and the Construction Challenges have been considered in the Tricon Offer however Tricon noted that it would need to engage third party experts and incur additional costs during diligence; and

(e) Tricon explained that the increase in consideration offered compared to its offer in the 2017 Sale Process is reflective of a change in market dynamics, including increased market rents and a reduction in their cost of capital.

91. Based on discussions with BMO in connection with the Tricon Offer, the Information Officer understands:

(a) notwithstanding BMO's efforts to solicit its participation, Tricon declined to participate in the 2018 Sale Process. However, if the Tricon Offer had been submitted in accordance with the 2018 Sale Process guidelines, it would have been explored and advanced through the process;

(b) BMO held discussions with Tricon to better understand the Tricon Offer. Following these discussions, BMO concluded the Tricon Offer was not executable in its current form as Tricon would not waive its conditions; and

[14] BMO has indicated to the Information Officer that no prior guidance was given.

(c) BMO acknowledged that Tricon performed extensive due diligence in the 2017 Sale Process, however indicated that, in its view Tricon did not provide a satisfactory explanation as to why their purchase price increased substantially from their original offer during Phase 1 of the 2017 Sale Process.

Third Party Appraisals

92. In connection with the Sale Process, the Company engaged for two real estate appraisals:

(a) Cushman & Wakefield ULC prepared an appraisal dated February 27, 2018 (the "**Cushman Appraisal**"). The Cushman Appraisal values the Property at $81.8 million (approximately $235 per buildable square foot); and

(b) Colliers International prepared an appraisal dated July 16, 2018 (the "**Colliers Appraisal**"). The Colliers Appraisal values the Property at $82.1 million (also approximately $235 per buildable square foot).

93. As noted in the Cushman Appraisal, one of the factors considered in its appraisal included comparable land sales in the subject market area, including five comparable sites that transacted during the period December 2017 to January 2018, ranging in value from $49.5 million to $300 million, or approximately $182 to $284 per buildable square foot (average of $251 per buildable square foot).

94. The Information Officer notes that these are comparable data points, however site-specific details would cause variations in valuation and ultimately the best judge of value would be a comprehensive market test through a robust marketing and sale process.

Re-opening the Sale Process / Receivership

95. The Information Officer has considered whether reopening the sale process might reasonably be expected to generate a result that would provide greater recovery for the Investors compared to the Lanterra Offer and the Proposed Settlement.

96. As previously noted, the Information Officer is of the view that BMO's Sale Process was a thorough canvassing of the market and fairly demonstrated the market value of the Property.

97. Furthermore, the accrual of interest and other potential costs in respect of the Meridian Mortgage and the SMI will continue to deteriorate potential recoveries for the Non-Registered Investors. There is no certainty that Meridian will continue to provide a standstill and not proceed to take further actions[15].

98. There is no certainty whether a new marketing and sale process may generate a purchase price in excess of the Lanterra Transaction. The Information Officer notes however that re-opening the sale process would take additional time and costs would continue to accrue during this period.

99. The Information Officer reviewed the "Receivership Scenarios" presented in the GT Report which is attached as Appendix V to the Second Report of Counsel. The Information Officer is of the view the scenarios are appropriately presented for the purpose of which they were created and has included GT's analysis in its comparison of values below. In addition to the GT Report scenarios, the Information Officer has presented an alternate receivership scenario (the "**Truncated Receivership**").

[15] Should Meridian seek Court appointment of a receiver, the receiver would have a duty to all stakeholders, not just Meridian.

100. The Truncated Receivership is based on an accelerated timeline of four months, compared to nine to 15 months in the GT Report, to reflect the possibility of an expedited receivership process by relying on the Sale Process already performed by BMO. Accordingly, the costs and disbursements associated with the receivership proceedings have been adjusted downward.

101. The table below includes a summary of recoveries to Investors in the Truncated Receivership scenario in comparison to the Proposed Settlement and two scenarios as presented in the GT Report. A detailed summary of the Truncated Receivership scenario is included as **Appendix "E"**. Based on the assumptions included, the Information Officer notes the following:

(a) if Hi-Rise is unsuccessful in asserting its claim to the Hi-Rise Potential Priority Costs in the amount of $4.7 million[16], the Property would need to be sold for approximately $71.2 million for Investors to receive the same (or similar) nominal recovery as they would in the Proposed Settlement. Accounting for the time value of delayed payments included in the Proposed Settlement at a 10% discount rate (i.e. the VTB and the Debenture), on a present value basis, the Property would need to be sold for approximately $62.0 million[17];

(b) if Hi-Rise is successful in asserting its claim to the Hi-Rise Potential Priority Costs, the Property would need to be sold for approximately $76.1 million for Non-Registered Investors to receive the same (or similar) nominal recovery as they

[16] The Hi-Rise Potential Priority Costs were estimated to be $5.1 million less Representative Counsel's legal fee priority charge of $0.4 million. The $5.1 million of Hi-Rise Potential Priority Costs was used to be consistent with the GT Report. However, the Information Officer understands that Hi-Rise will assert its full Potential Priority Costs.

[17] Actual calculation of present value equivalents would be depended upon timing of closing of any sale transaction.

would in the Proposed Settlement. Accounting for the time value of delayed payments included in the Proposed Settlement at a 10% discount rate (i.e. the VTB and the Debenture), on a present value basis, the Property would need to be sold for approximately $66.9 million;

(c) proceeds realized through a receivership proceeding are likely to be distributed to Investors faster compared to the Proposed Settlement. The balances noted herein are in nominal dollars and the time value of money has not been considered; and

(d) the Information Officer understands from Hi-Rise that in a receivership scenario, Hi-Rise and/or the Company may seek to recover all the Potential Priority Costs which, if successful, would have a material impact on distributions to Investors and further increase the selling price required to achieve the same result as the Proposed Settlement.

Comparison of Values

102. For information purposes only, the Information Officer has prepared the following table to summarize the potential values that may be available to the Investors under various alternatives.

Summary of Investor Recoveries (nominal dollars)					('000s)
	Proposed Settlement[1]	Truncated Receivership Low[2]	Truncated Receivership High[2]	GT Receivership Low[3]	GT Receivership High[3]
Estimated Sale Price	**73,150**	**71,170**	**76,071**	**44,000**	**72,000**
Without Hi-Rise Potential Priority Costs					
Registered Investors					
Investor Recovery ($)	22,316	22,605	22,605	22,171	22,171
Investor Recovery (%)	*100%*	*100%*	*100%*	*100%*	*100%*
Non-Registered Investors					
Investor Recovery ($)	27,990	27,990	32,694	424	28,194
Investor Recovery (%)	*60%*	*59%*	*69%*	*1%*	*61%*
Total Recovery	**50,306**	**50,595**	**55,300**	**22,595**	**50,366**
With Hi-Rise Potential Priority Costs					
Registered Investors					
Investor Recovery ($)	n/a	22,605	22,605	17,541	22,171
Investor Recovery (%)	*n/a*	*100%*	*100%*	*79%*	*100%*
Non-Registered Investors					
Investor Recovery ($)	n/a	23,286	27,990	-	23,140
Investor Recovery (%)	*n/a*	*49%*	*59%*	*0%*	*50%*
Total Recovery	**n/a**	**45,891**	**50,595**	**17,541**	**45,311**

Summary of Notes & Key Assumptions

1. Hi-Rise is only asserting certain Potential Priority Costs under the Proposed Settlement.
2. See full summary of Truncated Receivership scenario in **Appendix "E"**.
3. Per GT Report.

103. Based on its review of the Proposed Settlement and the alternatives presented above, the Information Officer notes the following:

(a) as detailed in this Report, the Proposed Settlement is premised on the Lanterra Transaction. While the Lanterra Transaction provides a high level of certainty in terms of purchase price, significant parts of the distributions associated with the Proposed Settlement are deferred into the future and may be subject to the ultimate success of the Lanterra Project (i.e. the Debenture);

(b) compared to the Proposed Settlement, the alternatives each have a materially higher level of conditionality and uncertainty, all of which could significantly impact the

quantum and timing of proceeds and there is no guarantee that an all cash offer can be obtained for the values indicated in the Truncated Receivership scenario; and

(c) in developing the Truncated Receivership scenario, to maintain consistency with the GT Report, the Information Officer only sensitized for the Hi-Rise Potential Priority Costs. If Hi-Rise is successful in asserting the full Potential Priority Costs in priority to Investors, distributions to Investors could be materially altered. Further, if the Potential Priority Costs are litigated between Hi-Rise and the Investors, additional time and cost may be incurred impacting ultimate recovery.

CONCLUSIONS & OTHER FINDINGS

Sale Process

104. It is clear that Schedule I and institutional construction lenders are hesitant to provide construction financing in situations where syndicated mortgages are registered on title. To realize maximum value for the Property (as a development site), a sale transaction and related discharge of the SMI is required. Absent additional financing, the Property would remain an undeveloped low-rise rental property.

105. Based on the Information reviewed to date and results of the Sale Process, the Information Officer does not believe that there is any reasonable prospect of a sale process generating sufficient funds to repay both the Meridian Mortgage and the SMI.

106. After the 2017 Sale Process failed to generate any transaction in respect of the Property, the Company and BMO took positive steps and incurred considerable cost to address certain Construction Challenges.

107. The Information Officer is of the view that the Sale Process conducted was a thorough market test, that sufficient effort was made to obtain the best price in respect of the Property and that the process was executed with proper efficacy and integrity.

108. While no specific asking price was provided for the Property, the Information Officer found that certain Interested Parties were guided by recent comparable transactions, including Widmer, and considering the Construction Challenges, these market trends discouraged certain Interested Parties from participating in the Sale Process.

109. As discussed herein, no Interested Party was willing to submit an all cash offer by the applicable Sale Process bid deadlines. The Sale Process was designed and executed to maximize the ultimate proceeds from the transaction, not necessarily cash consideration on closing. In that regard, the Information Officer is of the view that the Lanterra Transaction provides for the best price in respect of the Property.

Consultations Held

110. The Information Officer held a number of meetings and requested significant information from the parties mentioned in this Report. During its review, the Information Officer found the conduct of all parties to be cooperative and supportive, was granted unfettered access to the individuals and groups it requested meetings with and was provided with requested information on a timely basis.

111. Nothing in its review of the Information provided to it and in discussions with the parties noted herein has led the Information Officer to conclude that the Lanterra Transaction would be considered to be an improvident transaction.

112. Each of the Interested Parties agreed that the Property's value is impacted by the Construction Challenges and other constructability issues which create significant uncertainty around the cost and time it may take to complete development on the site. Considering these issues, together with recent trends in the market, the Interested Parties confirmed that the best way to maximize purchase price would be through a transaction

including a joint venture and/or vendor takeback structure. The Information Officer found no indication that management of the Company influenced the creation of the joint venture structure proposed in the Lanterra Transaction.

Lanterra Transaction & Proposed Settlement

113. Based on the Information reviewed by the Information Officer, at the completion of the project, the Company's undiscounted potential proceeds, net of the $15.0 million Debenture, are projected to equal approximately $22.8 million. In the Information Officer's view, it is appropriate for the members of the Official Committee, and the Investors, to express concern over the Company's continued interest (i.e. its 25% share of the JV) in the Property.

114. If Investors vote to approve the Proposed Settlement, Registered Investors are projected to receive $22.3 million (100% return) and Non-Registered Investors are projected to receive $28.0 million (60% return), however as described previously, certain of these proceeds will only be distributed years in the future.

Alternatives

115. The Information Officer is of the view the Sale Process was a robust and thorough market test and the results thereof should be given more weight than: (a) alternate transactions that could be pursued that include a higher level of conditionality and would require time to execute; and (b) other indications of value, including the third party appraisals, which are subject to a number of conditions and restrictions.

116. The Information Officer noted that several key items in the Information Statement (and therefore the Proposed Settlement) may need to be refreshed and/or further developed. For example, the ultimate structure of the VTB and the structure and amount of the Debenture

are not accurately reflected in the Information Statement. The Information Officer recommends that, prior to any vote, an updated Information Statement be provided to the Investors.

117. If the Investors do wish to pursue an alternate transaction, based on communications reviewed by the Information Officer, it is likely that Meridian would commence enforcement proceedings resulting in a receivership. Within receivership proceedings, the Information Officer estimates that to generate a nominal return to Investors that would be the same or similar to the Proposed Transaction, the Property would need to be sold for an amount in excess of $71.2 million, or $76.1 million if Hi-Rise successfully asserts the $4.7 million Hi-Rise Potential Priority Costs or approximately $62.0 million to $66.9 million when considering the estimated present value of distributions contained in the Proposed Settlement.

118. As requested by this Court, the Information Officer reviewed and explored the Tricon Offer. Although Tricon appears to be very familiar with the Property and its cash offer of $72.0 million would provide a better and immediate return to Investors, the Tricon offer remains subject to an open-ended diligence condition that requires a minimum of 45 days to satisfy and has not yet been approved by its investment committee or board of directors. The Information Officer also notes that Tricon had an opportunity to participate in the 2018 Sale Process and declined to do so. The Information Officer supports BMO's assertion that maintaining the integrity of the marketing and sale process, including its timelines and bid deadlines, is of high importance, and especially so when presented with a conditional offer.

All of which is respectfully submitted this 7th day of October, 2019.

ALVAREZ & MARSAL CANADA INC.,
in its capacity as Information Officer

Per: 

Name: Stephen Ferguson
Title: Senior Vice-President

APPENDIX "A"

Information Officer Appointment Order (September 17, 2019)

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	TUESDAY, THE 17TH
	)	
	)	
JUSTICE HAINEY	)	DAY OF SEPTEMBER, 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 "**Company**"), was heard this day at the Court House, 330 University Avenue, Toronto, Ontario,

ON HEARING the submissions of Representative Counsel, Hi-Rise, the Company, the Financial Services Regulatory Authority of Ontario ("**FSRA**"), Meridian Credit Union Limited

("**Meridian**") and such other counsel as appeared, and on being advised of the consent of the parties,

APPOINTMENT

1. **THIS COURT ORDERS** that Alvarez & Marsal Canada Inc. is hereby appointed as a Court officer to act as an information officer in respect of Hi-Rise and the Property (in such capacity, the "**Information Officer**").

2. **THIS COURT ORDERS** that the Information Officer shall not take possession of or exercise control over, and shall not be deemed to have taken possession of or exercise control over the business or assets of Hi-Rise or the Company, including, without limitation, the Property.

NO EFFECT ON RIGHTS AND REMEDIES OF MERIDIAN

3. **THIS COURT ORDERS** that nothing in this Order in any way affects Meridian's ability to exercise any or all of its rights or remedies under any one or more of any credit agreement, security agreement or other document between Meridian and the Company or any other party named in such documents, including the right to the appointment of a receiver under the *Bankruptcy and Insolvency Act*, the *Courts of Justice Act* or otherwise, and the right to apply to the Court for any other remedies.

INFORMATION OFFICER'S POWERS

4. **THIS COURT ORDERS** that the Information Officer is hereby empowered and authorized to do any of the following where the Information Officer considers it necessary or desirable:

(a) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis to assist with the exercise of the Information Officer's powers and duties conferred by this Order;

(b) to review and report to the Court and to all stakeholders, including but not limited to the Representative Counsel, Hi-Rise, the Company, FSRA and Meridian, in

respect of all matters relating to the Property, Hi-Rise's 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 (and in this regard, the Information Officer may engage in discussions with Tricon Lifestyle Rentals Investment LP to ascertain its interest in the Property), and the financial implications of such proposed transactions (the "**Mandate**");

(c) to meet with and discuss with such affected Persons (as defined below) as the Information Officer deems appropriate on all matters relating to the Mandate, subject to such confidentiality terms as the Information Officer deems advisable; and

(d) to take any steps reasonably incidental to the exercise of these powers or the fulfilment of the Mandate.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE INFORMATION OFFICER

5. **THIS COURT ORDERS** that (i) the Company and Hi-Rise, (ii) all of their current and former directors, officers, employees, agents, advisors, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms or corporations (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Information Officer of the existence of any information the Information Officer considers that it requires in order to fulfil the Mandate that is within such Person's possession or control, shall grant immediate and continued access to such information to the Information Officer, and shall deliver all such information to the Information Officer upon the Information Officer's request, provided that nothing contained in this paragraph 5 shall oblige any Person to disclose information that is subject to any privilege (including but not limited to solicitor-client privilege, litigation privilege, settlement privilege, or any common law or statutory privilege prohibiting such disclosure).

6. **THIS COURT ORDERS** that all Persons shall forthwith advise the Information Officer of the existence of any books, documents, securities, contracts, orders, corporate and accounting

records, and any other papers, records and information of any kind that the Information Officer considers that it requires in order to fulfil the Mandate, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**"), including but not limited to Records in respect of any and all proposed transactions in respect of the Property, in that Person's possession or control, and shall provide to the Information Officer or permit the Information Officer to make, retain and take away copies thereof and grant to the Information Officer unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 6 or in paragraph 7 of this Order shall require the delivery of Records, or the granting of access to Records, that are subject to any privilege (including but not limited to solicitor-client privilege, litigation privilege, settlement privilege, or any common law or statutory privilege prohibiting such disclosure).

7. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Information Officer for the purpose of allowing the Information Officer to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Information Officer in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Information Officer. Further, for the purposes of this paragraph, all Persons shall provide the Information Officer with all such assistance in gaining immediate access to the information in the Records as the Information Officer may in its discretion require including providing the Information Officer with instructions on the use of any computer or other system and providing the Information Officer with any and all access codes, account names and account numbers that may be required to gain access to the information.

DUTY TO FACILITATE INFORMATION DISCLOSURE

8. **THIS COURT ORDERS** that upon request by the Information Officer, the Company and/or Hi-Rise shall immediately provide consent or authorization for any Person to release and disclose Records to the Information Officer, which Records may be requested by the Information

Officer in connection with the Mandate, provided that nothing contained herein shall oblige any Person to disclose information that are subject to any privilege (including but not limited to solicitor-client privilege, litigation privilege, settlement privilege, or any common law or statutory privilege prohibiting such disclosure).

INFORMATION OFFICER'S REPORT

9. **THIS COURT ORDERS** that on or before October 7, 2019, the Information Officer shall file a report with the Court in respect of the Mandate, including in particular whether sufficient effort has been made to obtain the best price in respect of the Company's proposed sale of the Property, that the proposed sale is not improvident, and in respect of the efficacy and integrity of the process by which offers had been obtained, ~~and whether there has been unfairness in the working out of the process.~~

NO PROCEEDINGS AGAINST THE INFORMATION OFFICER

10. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Information Officer except with the written consent of the Information Officer or with leave of this Court.

LIMITATION ON THE INFORMATION OFFICER'S LIABILITY

11. **THIS COURT ORDERS** that the Information Officer shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part.

RESETTING OF THE DATE OF THE INVESTORS' MEETING AND COMMUNICATION RESTRICTION

12. **THIS COURT ORDERS** that:

(a) The meeting of Investors called by Hi-Rise for September 25, 2019 is adjourned to October 23, 2019 (the "**Adjournment**"), which date may be altered by further Order of this Court;

(b) Hi-Rise and the Company, all of their directors, officers, employees, agents, advisors, accountants, legal counsel and shareholders, and all other

persons acting on its instructions or behalf, are hereby restricted from communicating with Investors, either directly or indirectly, without the consent of the Representative Counsel or Order of the Court, which restriction shall remain in effect until September 30, 2019 or such later date as may be imposed by further Order of the Court (the "**Restriction Expiry Date**"). Provided, however, that communication may be made to the Investors about the Adjournment, and such communication shall be subject to review and approval by Representative Counsel prior to being delivered to Investors, in accordance with paragraph 12(c), below;

(c) All communications delivered by Hi-Rise or the Company to Investors, whether before the Restriction Expiry Date with the consent of Representative Counsel, or after the Restriction Expiry Date, shall be subject to review and approval of Representative Counsel prior to being delivered to Investors. Representative Counsel shall conduct its review and advise Hi-Rise or the Company of its position within 24 hours upon receipt of same, provided, however, that Representative Counsel shall only be entitled to object to the content of a proposed communication that is factually incorrect, and further, Representative Counsel acknowledges that Hi-Rise shall be permitted to express its opinion regarding the sales process and any proposed transaction and to recommend to Investors that they vote in favour or against any transaction or settlement;

(d) In the event Representative Counsel asserts that part of any communication is factually incorrect, Hi-Rise or the Company shall not deliver said communication to Investors and, Hi-Rise, the Company or Representative Counsel shall be permitted to seek directions from the Court regarding the communication;

(e) Hi-Rise and the Company are at liberty to communicate with syndicated mortgage investors in the OptArt Loft project at 54-60 Shepherd Road, Oakville (the "**Oakville Investors**"). Notwithstanding paragraph 12(c) of

this Order, communications to the Oakville Investors may refer to the Project and the Property even though some of the Oakville Investors are also Investors, provided that the Representative Counsel is provided with 24 hours to review the portion of any communication to Oakville Investors that references the Project or the Property. The Representative Counsel does not have the right to approve such communications, but is at liberty to seek directions from the Court if the Representative Counsel has any concerns about the proposed communication; and

(f) Hi-Rise and the Company are restricted from negotiating any settlement or compromise with Investors on a private basis during the course of these proceedings.

PAYMENT OF FEES TO MERIDIAN

13. **THIS COURT ORDERS** that the Company shall pay an extension fee to Meridian in the amount of $85,220.00.

ENCUMBRANCES IN RESPECT OF THE PROPERTY

14. **THIS COURT ORDERS** that subject to this Order, the Property shall not be further encumbered by any Person other than Meridian, pending further Order of this Court.

PIPEDA

15. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* and any other applicable privacy legislation, the Information Officer may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable to fulfill its mandate pursuant to this Order.

INFORMATION OFFICER'S ACCOUNTS

16. **THIS COURT ORDERS** that the Information Officer and counsel to the Information Officer shall be paid by the Company their reasonable fees and disbursements, both before and after the making of this Order on a ~~bi-weekly~~ monthly basis forthwith after delivery of the Information

Officer's accounts to the Company. Any disputes regarding the Information Officer's accounts shall be determined by the Court. For greater certainty, Representative Counsel shall not be liable for the fees and disbursements of the Information Officer or its counsel.

17. **THIS COURT ORDERS** that the Information Officer and counsel to the Information Officer shall be entitled to and are hereby granted a charge (the "**Information Officer Charge**") on the Property, as security for their fees and disbursements, both before and after the making of this Order, up to the maximum amount of $100,000 or as may otherwise be ordered by this Court. The Information Officer Charge shall form a charge on the Property, subordinate in priority only to: (i) the Rep Counsel Charge (as defined in the Appointment Order and as may be increased by further Orders of this Court); and (ii) any encumbrances ranking in priority to the Rep Counsel Charge (including, without limitation, the mortgage in favour of Meridian), and, for greater certainty, the Information Officer Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, including, without limitation, the Hi-Rise Mortgage (as defined in the Appointment Order), and shall not rank in priority to any security interests, trusts, liens, charges, statutory or otherwise, in favour of Meridian.

18. **THIS COURT ORDERS** that in the event that the Information Officer and its counsel rely on the Information Officer Charge to seek payment of their fees and disbursements, the Information Officer and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Information Officer and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

SERVICE AND NOTICE

19. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the "**Rules**"), this Order shall constitute an order for substituted service pursuant to

Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission.

20. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Information Officer is at liberty to serve or distribute this Order, any materials and other orders in this proceeding, and any notices or other correspondence in this proceeding, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Company's creditors or other interested parties at their respective addresses as last shown on the records of the Company and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

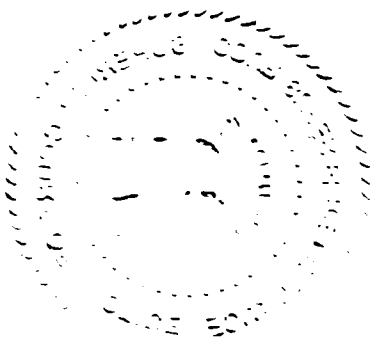
21. **THIS COURT ORDERS** that the Information Officer may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

22. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Information Officer and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Information Officer, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Information Officer and its agents in carrying out the terms of this Order.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

SEP 17 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

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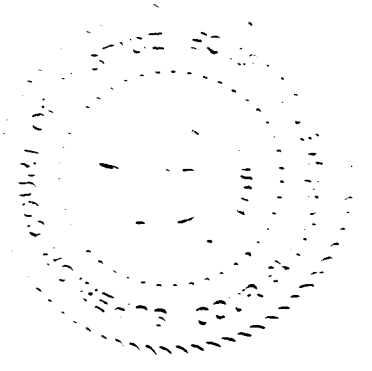
Court-appointed Representative Counsel



APPENDIX “B”

Lanterra Project Proforma

263 Adelaide
Project Pro Forma - DISCUSSION ONLY
May 8, 2019

Scenario - Quadrangle Drawings (May 9, 2017)

Project Salient Information	
Residential Condo	
# of Floors	47
# of Buildings	1
Total FSI	22.65
Total GFA	349,490
Total Units	
Total No. of Condo Units	397

Key Schedule Assumptions	**Start**	**End**	**Duration**
Project Start	1-Mar-19		
Pre-Development	1-Mar-19	31-Aug-19	**5 Months**
Sales	31-Aug-19	31-Aug-20	**12 Months**
Construction	31-Aug-20	31-Aug-24	**48 Months**
Construction At Grade	28-Feb-22		
Occupancy	31-Dec-23	31-Aug-24	8 Months
Registration	31-May-24		
Construction Loan Repayment	30-Jun-24	31-Aug-24	1 Months
Total			**65 Months**

Key Revenue Assumptions	
Condo Sales Revenue ($psf)	$1,275
Townhome Sales Revenue ($psf)	
Parking Revenue ($/Stall)	$85,000
Locker ($/Locker)	$7,500

Key Project Cost Assumptions	
Total Construction Hard Cost ($ psf GFA)	$317
Above Grade Construction Hard Cost ($/sf)	$290
Below Grade Construction Hard Cost ($/sf)	$120
Consultants & Engineers (3.0%)	$5,231,400

Fees & Contingencies	
Total Fees - Lanterra	$14,716,300
Total Fees - Storey	$912,500
Total Contingencies	$8,987,500
Project Returns	
Net Revenue	$364,988,900
Total Costs	$298,981,450
Total Profit	**$66,007,450**

Profit / Net Revenue	**18.1%**

Source of Funds		
Cash Equity	48,287,500	16%
Deferred Equity/Land Appraisal Surplus	-	0%
Deposits	50,722,900	17%
Deferred Costs	9,054,900	3%
Loan	190,916,200	64%
Total Costs	**298,981,500**	**100%**

Sensitivity Analysis	**Profit ($)**	**Profit (%)**	**Change**
At $1,250 PSF Revenues	$59,797,850	16.7%	($6,209,600)
At $1,300 PSF Revenues	$72,217,050	19.4%	$6,209,600

Project Pro Forma - DISCUSSION ONLY

Project Statistics						
Site Statistics			**Unit Statistics**			
Area of Site		15.429	Average Residential Unit Size			748 sq.ft.
Density		22.65	Total Residential Units			397
Total GFA		349,490	1 Bedroom		52%	205
GFA - Condos		349,490	2 Bedroom		37%	147
GFA - Townhouses			3+ Bedroom		11%	45
Building Efficiency		86%	Townhouse		0%	-
Total Sellable GFA		299,487	Residential Parking - Condo		28%	112
Retail Sellable GFA		2,698	Residential Parking - Townhouse		0%	-
Office Sellable GFA		-	Commercial Parking		3%	11
Residential Sellable GFA		296,789	Lockers		76%	300
Acquisition Of Land						
Cumulative Cost Of Land		$72,150,000	Amount Of Land Paid To Date	$17,500,000		
Cost Of Land/Area Of Site		$4,741	Amount Outstanding	$55,650,000		
Cost Of Land/ GFA		$209.30	VTB/ Mortgage	$18,287,500	*Loan to Value ratio : 25%*	
Cost Of Land/Sellable GFA		$244	Land Mortgage Interest	5.45%		

Fees and Contingencies		
Fees	**Lanterra**	**Partner**
Construction Management	$4,251,900	
Development Fee	$6,387,300	$912,500
Admin Mgmt Fee	$0	
Guarantee Fee	$4,077,100	
	$14,716,300	$912,500
Contingencies		
Hard Cost & Escalation Contingency	$7,289,100	
Soft Cost Contingency	$1,698,400	
Total	$8,987,500	

Revenue On Closing				
Revenue Item	**Factors For Calculation**		**Revenue**	**Comments**
From Sale Of Inventory				
Residential Units				
Residential Units - Condo	296,789	$1,275	$378,406,000	*Average S/Price : $953,200 per unit*
Parking	112	$85,000	$9,520,000	
Lockers	300	$7,500	$2,250,000	
Retail Revenues	2,698	$1,555	$4,196,100	*Rate per sqf: $ 70.00 at cap rate of 4.5%*
Land Sale Revenue			$0	
Land Appraisal Surplus				
Total Revenue From Sales			**$394,372,100**	***$1,316.82 /sellable sq. ft.***
Adjustments To Revenue				
Recoveries Upon Closing				
Tarion Recovery	397	$1,595	$633,200	
Development Charge Recovery (1 Bedroom)	205	$12,000	$2,460,000	
Development Charge Recovery (2 Bedroom)	147	$14,000	$2,058,000	
Development Charge Recovery (3 Bedroom)	45	$16,000	$720,000	
Meter Charge Recovery	397	$1,000	$397,000	
Other Recoveries	397	$1,365	$542,000	*Tarion Admin Fee ($350/unit), Form 4 Fee ($350/unit), Status Certificate ($100/unit), Discharge Fee ($150/unit).*
Total Recoveries			**$6,810,200**	
Deductions to Revenue				
HST on Residential Sales	$390,176,000	9.28%	($36,193,400)	*HST On Average unit price*
HST on Office/Commercial Sales	$4,196,100	0.00%	$0	*Commercial Revenue assumes Net of HST*
Total Deductions			**($36,193,400)**	
Net Revenue Upon Closing			**$364,988,900**	***$1218.71 / sellable sq. ft.***

Project Budget					
Budget Item	**Factors For Calculation**		**Cost**	**Comments**	
Land Costs					
Land Purchase Price			$73,150,000	***$209.30 / Buildable sq.ft (349,490 sq.ft)***	
Land Appraisal Surplus			$0		
Land Transfer Tax	$73,150,000	0.0%	$0	*Estimated $2.7M to be paid by Lanterra ONLY (per proposed JV Agreement)*	
Realty Taxes	5.0	$ 191,394	$957,000		
Land Mortgage Interest	$30,723,000	1.50 5.45%	$2,511,600		
VTB Interest	$0	3.00 0.00%	$0	*Cost to be paid by Lanterra ONLY per proposed JV Agreement*	
Land Legals			$200,000	*Assumed allowance of $200K*	
Internal Planning			$350,000	*Assumed allowance of $350K*	
Site Plan Approval Fees			$400,000	*Assumed allowance of $400k*	
Municipal Legal & Planning Consultants			$400,000	*Assumed allowance of $400K*	
Total Land Costs			**$78,122,200**	***$260.85 / sellable sq. ft.***	
Construction (Hard)					
	NSA	299,487			
Construction	CGFA	349,490			
- Above Grade: 1 Bldgs ; 47 Floors	349,490	$290	$101,352,200		
- Above Grade: Premium for High Quality	**Construction cost**	$0	$0		
- Below Grade	**Excl Contigency**	77,772	$120	$9,332,700	
- Above Grade Parking	**Total : $110,684,900**	-	$0	$0	*No Above grade Parking*
Permits		$110,684,900	1.00%	$1,106,800	
Lane Closure & Misc		$110,684,900	0.20%	$221,400	
Provisions for Heritage Requirements				$1,800,000	
Rental Replacement Unit Provision				$1,200,000	
Construction Security				$0	*Assumed in construction budget*
Construction Insurance				$0	
Office Tenant Inducements	-	$25		$0	
Retail Tenant Inducements	2,698	$25		$67,500	
Surveying Costs	397	$300		$219,100	*$300 / unit plus $100,000 allowance for common area*
Technical Audits	397	$1,200		$476,400	*$1,200 / unit*
Warranty	397	$1,200		$476,400	
Consultants	116,252,500	4.50%		$5,231,400	
Construction Management Fee	$121,483,900	3.50%		$4,251,900	
Escalation Contingency	$121,483,900	2.00%		$2,429,700	
Contingency	$121,483,900	4.00%		$4,859,400	
Total Construction Hards	**Per Suite Hard Cost - $ 12,240**			**$133,024,900**	***$444.18 / sellable sq. ft.***

	Total Cost	Construction cost
GFA (349,490 sft)	$380.63	$316.70
NSA (299,487 sft)	$444.18	$369.56

Construction (Soft)					
Tarion Enrolment	397	$1,595	$633,200	*Per unit (Tarion fees) plus registration and renewal fees*	
Cash In Lieu Of Parkland	$73,150,000	10.00%	$7,315,000		
Development Charges					
Condo - 1 Bedroom	205	$34,504	$7,073,300	*Anticipated DC charges paid at Feb 2022 rates*	
Condo - 2+ Bedrooms	192	$52,857	$10,148,500	*Anticipated DC charges paid at Feb 2022 rates*	
Educational Development Charge	397	$2,737	1,086,600	*Anticipated EDC charges as paid at Feb 2022 rates*	
Educational Development Charge - Commercial / SM	2,698	$6.56	17,700	*Anticipated EDC charges as paid at Feb 2022 rates*	
Non Residential Development Charges / SM	251	$458	114,800	*Anticipated DC charges paid at Feb 2022 rates*	
Section 37			$2,500,000	*Assumed allowance of $2.5M*	
Total Construction (Softs)	**Total Hard & Soft Costs - $ 161,914,000**		**$28,889,100**	***$96.48 / sellable sq. ft.***	
Marketing					
Marketing/ Advertising	397	$1,000	$397,000	*Assumed $1,000 per unit*	
Sales Office			$800,000	*Assumed $800k for Sales Centre*	
Sales Office - Operating Costs			$300,000	*Allowance of $300k*	
Customer Care			$400,000	$100K for Ericka's team and $300K for Amber's team for the project	
Primary Broker Commissions	$353,982,600	1.50%	$5,309,700	*Range between 1.2% and 1.50%*	
Third Party Broker Commissions	95% $353,982,600	4.00%	$13,451,300	*Range between 4% and 5%*	
Commissions For Commercial	$4,196,100	4.0%	$167,800	*Assumed 4%*	
Total Marketing			**$20,825,800**	***$69.54 / sellable sq. ft.***	
Administration					
Legal Fees - General			$500,000	*Assumed $500k allowance*	
Legal Fees - Corporate / Finance / Lender			$150,000	*Assumed $150k allowance*	
Miscellaneous Office Fees			$200,000	*Assumed $200k allowance*	
Legals - Sales / Closing / Leasing	397	$1,000	$597,000	*$1000 per unit plus $200K for commercial*	
Accounting - Recoveries	397	$1,200	$476,400	*Assumed $1,200 per unit*	
Lanterra - Development Management Fee	364,968,900	1.75%	$6,387,300	*% of Gross Revenues (less HST)*	
Storey - Development Management Fee	364,968,900	0.25%	$912,500	*% of Gross Revenues (less HST)*	
Lanterra - Administrative Management Fee	120,555,700	0.00%	$0	*% of Hard/Construction Costs*	
Total Administration			**$9,223,200**	***$30.80 / sellable sq. ft.***	
Finance					
Construction Loan Interest	3.5	6.00%	$20,046,200	*6.00% per year for 3.5 years at Prime plus 125bps*	
Bank Commitment & Other Fees	$190,916,200	0.60%	$1,245,500	*(Upfront fees of 60bps) also assumed $100K for bank fees*	
Standby Fees/Discharge Fees	4.0	0.25%	$954,600	*Standby fees at 25bps of undrawn loan amount*	
Arrangement Fee			$100,000	*Assumed $100K allowance*	
Agency Fees	$50,000	4.0	$200,000	*Assumed $50K annual*	
Bank Discharge Fee	397.0	$100	$27,790	*Based on $100 per unit for 70% of units*	
Letter of Credit Fees	$5,000,000	4.0 1.00%	$200,000	*Assumed 1% of $5,000,000 for 4 years*	
Guarantee Fee		2.00%	$4,077,100	*Based on 2%of anticipated loan, Tarion Deposit Bond and Letters of Credit amounts*	
Project Monitor			$350,000	*Assumed allowance of $350K*	
Deposit Insurer Commitment Fee			$35,000	*Assumed allowance of $35K as per Altus*	
Tarion Deposit Insurance	$7,940,000	397 3.00%	$190,600	*0.75% per year for 4 years with weighted average at 80%*	
Excess Deposit Insurance	$42,782,900	2.63%	$598,400	*0.75% per year for 3.5 years with weighted average at 80%*	
Soft Cost Contingency	$84,926,455	2.00%	$1,698,400		
Total Finance			**$30,023,590**	*$100.25 / sellable sq. ft.*	
Offsetting Income and Occupancy Expenses					
Occupancy Expenses			$910,800		
Offsetting Occupancy Income			($2,038,140)		
Occupancy Expenses (Net Of Income)			**($1,127,340)**	*-$3.76 / sellable sq. ft.*	

Summary						
Revenues				Amount	Per NSA	Per GFA
Gross Revenues	NSA	299,487		$394,372,100	$1,316.82	$1,128.42
Recoveries	GFA	349,490		$6,810,200	$22.74	$19.49
Deductions				($36,193,400)	($120.85)	($103.56)
Net Revenues				$364,988,900	$1,218.71	$1,044.35
Costs						
Land Costs			26%	$78,122,200	$260.85	$223.53
Construction (Hard)			44%	$133,024,900	$444.18	$380.63
Construction (Soft)			10%	$28,889,100	$96.48	$82.66
Marketing			7%	$20,825,800	$69.54	$59.59
Administration			3%	$9,223,200	$30.80	$26.39
Finance			10%	$30,023,590	$100.25	$85.91
Offsetting Income			0%	($1,127,340)	($3.76)	($3.23)
Total Costs				$298,981,450	$998.31	$855.48
Profit		**Profit/Revenues**	**18.1%**	**$66,007,450**	**$220.40**	**$188.87**

Price Sensitivity ($/sf)			
$/Sf	**Profit**	**Profit %**	**IRR**
$1,275	$66,007,450	18.1%	18.8%
$1,300	$72,217,050	19.4%	20.1%
$1,250	$59,797,850	16.7%	17.5%

For every $25 change in $/sf, Profit and Profit% change as follows:

Delta	Profit	Profit%
$25	$6,209,600	1.3%

Source Of Funds					
Cash Equity				$48,287,500	16%
Land Appraisal Surplus				$0	0%
Deposits	$390,176,000	65%	20%	$50,722,900	17%
Deferred				$9,054,900	3%
Loan				$190,916,200	64%
Total Costs				$298,981,500	100%

APPENDIX "C"

Hi-Rise Notice of Meeting and Information Statement (September 6, 2019)

NOTICE OF MEETING

and

INFORMATION STATEMENT

with respect to the

SETTLEMENT TO INVESTORS IN THE HI-RISE CAPITAL LTD. MORTGAGE OVER THE PROPERTY MUNICIPALLY KNOWN AS 263 ADELAIDE STREET WEST

under the

TRUSTEE ACT

September 6, 2019

This Information Statement is being distributed to investors in a Hi-Rise Capital Ltd. mortgage over the property municipally known as 263 Adelaide Street West, Toronto, Ontario, in respect of the Meeting called to consider the proposed early resolution and settlement of the mortgage to be held on September 25, 2019, at the InterContinental Toronto Centre, 225 Front Street West, Toronto, Ontario, M5V 2X3.

These materials require your immediate attention. You should consult your legal, financial, tax and other professional advisors in connection with the contents of these documents. *If you have any questions regarding voting procedures or other matters or if you wish to obtain additional copies of these materials, you may contact the investors representative counsel, Miller Thompson LLP, by telephone at (416)-595-2660 (Toronto local) or by email at gazeff@millerthomson.com. Copies of these materials and other materials in the within proceedings are also posted on the following website: https://www.millerthomson.com/en/hirise/.*

LETTER TO INVESTORS

September 6, 2019

Dear Investor:

You are invited to attend a meeting of investors in a syndicated mortgage over the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**"), administered by Hi-Rise Capital Ltd. ("**Hi-Rise**") to be held at the InterContinental Toronto Centre, 225 Front Street West, Toronto, ON, M5V 2X3.

At the meeting, investors will be asked to consider, and if thought advisable, approve a settlement with 263 Adelaide Street Lofts (the "**Borrower**") discharging the syndicated mortgage in place on the Property. If the settlement is not approved, the Borrower may need to seek alternate solutions, including but not limited to, bankruptcy proceedings.

Following the syndicated mortgage market "freeze" involving properties with a syndicated mortgage on title in 2017, the Borrower has concluded, based on communications with potential lenders on separate projects, that it will not be able to secure construction financing for the development project on the Property. As such the Property remains in an underdeveloped state.

After reviewing the possible alternatives for the Property, in 2017, Hi-Rise and the Borrower commenced a sales process for the property to obtain the highest possible value for the Property and to maximize recovery for investors. During the sales process, it became apparent that instead of an outright sale of the Property, a joint venture between a purchaser and the Borrower to co-develop the Property would result in a higher recovery to investors.

To ensure that investors were adequately protected in the sale negotiations, Hi-Rise brought an application before the Ontario Superior Court of Justice (Commercial List) to, among other things, appoint representative counsel for investors, being Miller Thompson LLP.

In order to complete the sale of the property and the settlement of the syndicated mortgage, Hi-Rise is required to obtain the final approval of the Court, **which will only be granted if a majority of the investors representing two-thirds of the value of the syndicated mortgage, voting either in person at the meeting or by proxy votes, cast in favour of the proposed transaction**.

The Information Statement contains a detailed description of the proposed sale of the Property and the settlement of the syndicated mortgage. Please give this material your careful consideration and, if you require assistance, consult your financial, legal, tax or other professional advisors. If you are unable to attend the Meeting in person and wish your vote to be counted, please complete and deliver the applicable form of proxy which is enclosed in order to ensure your representation at the Meeting. There are several ways for your vote to be cast which are set out in the proxy form included in this Information Statement.

After reviewing the transaction and the settlement, the Hi-Rise board of directors (the "**Hi-Rise Board**") unanimously determined that the transaction and settlement are (i) in the best interests of the investors; (ii) fair, from a financial point of view, to the investors; and (iii) resolved to recommend that the investors vote in favour of the settlement resolution.

The Hi-Rise Board unanimously recommends that you vote FOR the Settlement Resolution

Key considerations made by management in supporting the transaction and the settlement include:

a) the transaction is the byproduct of a sale process, which was a competitive and professionally run process, in which the best overall bid was accepted;

b) the transaction and settlement provides a clear exit strategy in order to allow the project to move forward and does so by 'buying out' the Investors, which has the benefit of greatly improving the project's prospects of attracting construction financing from banks;

c) the transaction and settlement provides greater certainty to Investors than a 'no' vote and a receivership; and,

d) the transaction and settlement are expected to yield a total of $22.2 million (100% of principal plus interest) for Registered Investors (as defined in the information statement enclosed herein) and $21.6 million (62% of principal or 47% of principal plus interest) for Non-Registered Investors (as defined in the information statement enclosed herein) – this is more than the Financial Advisor, Grant Thornton Limited (engaged by Hi-Rise Capital Ltd. to advise on the transaction), expects from a receivership if investors voted 'no'.

It is important that your investment be represented at the Meeting. If you are unable to attend the Meeting in person, please complete and deposit the enclosed Instrument of Proxy with TSX Trust at Attn: Investor Services, 301-100 Adelaide Street West, Toronto, ON M5H 4H1 or online at https://www.voteproxyonline.com/pxlogin so that it is received no later than 1:00 p.m. (Toronto time) on September 23, 2019 or by 1:00 p.m. (Toronto time) on the business day prior to the date on which any adjournment or postponement of the meeting is held. Late proxies may be accepted or rejected by the Chairman of the Meeting in his sole discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

On behalf of Hi-Rise, I would like express our gratitude for your consideration of this important transaction.

Yours very truly,

"Noor Al-Awqati"

Noor Al-Awqati
Chief Operating Officer

NOTICE IS HEREBY GIVEN that a meeting (the "**Meeting**") of investors (the "**Investors**") in a Hi-Rise Capital Ltd. ("**Hi-Rise**") mortgage (the "**Hi-Rise Mortgage**") over the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the "**Property**") entitled to vote on a settlement proposal (the "**Settlement**") proposed by 263 Adelaide Street Lofts Inc. will be held for the following purposes:

> **to consider and, if deemed advisable, approve, the Settlement on vote terms set out in the Order.**

The Meeting is being held pursuant to an order (the "**Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated March 21, 2019. Capitalized terms used but not defined herein have the meanings ascribed in the Order.

NOTICE IS ALSO HEREBY GIVEN that the Meeting will be held at the following dates, times and location:

Date:	September 25, 2019
Time	1:00 p.m. (Toronto time)
Location:	InterContinental Toronto Centre, 225 Front Street West, Toronto, ON, M5V 2X3

Investors will be eligible to attend the Meeting by person or by proxy to vote on the Settlement.

An Investor who is unable to attend the Meeting may be entitled to vote by proxy, subject to the terms of the Order. Further, any Investor who is not an individual may only attend and vote at the Meeting if a proxyholder has been appointed to act on its behalf at such Meeting.

If the Settlement is approved at the Meeting by the required majorities of Investors and other conditions of the Settlement are met, Hi-Rise intends to make a motion to the Court in October 2019, or on such other date as may be set by the Court seeking an order approving the Settlement and allowing Hi-Rise to discharge the Hi-Rise Mortgage, and all loan obligations and all encumbrances related to the Hi-Rise Mortgage.

In order for the Settlement to become effective:

1. the Settlement must be approved by the required majorities of Investors set out in the Order and voting on the Settlement must be in accordance with the terms of the Order;

2. the Settlement must be approved by the Court after the Meeting; and

3. the conditions to the Settlement as set out in the Settlement must be satisfied or waived, as applicable.

Miller Thompson LLP has been appointed representative counsel of the Investors ("**Representative Counsel**"). Additional copies of the Information Package, including the Information Statement and the Settlement, may be obtained from the Representative Counsel website at https://www.millerthomson.com/en/hirise/ or by contacting Representative Counsel by telephone at (416) 595-2660 (Toronto local) or by email at gazeff@millerthomson.com.

DATED at Toronto, Ontario, this 6th day of September, 2019.

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INFORMATION STATEMENT
SUMMARY OF SETTLEMENT

*This information statement (the "**Information Statement**") provides a summary of certain information contained in the schedules hereto (collectively, the "**Schedules**" and is provided for the assistance of Investors only). The governing documents are the Settlement, which is attached as **Schedule "B"** to this Information Statement, and the Order granted by the Court on March 21, 2019 (the "**Order**"), which is attached as Schedule "C" to this Information Statement.* ***This summary is qualified in its entirety by the more detailed information appearing in the Settlement, the Order or that is referred to elsewhere in the Information Statement. Investors should carefully read the Settlement and the Order, and not only this Information Statement. In the event of any conflict between the contents of this Information Statement and the provisions of the Settlement or the Order, the provisions of the Settlement or the Order, as applicable, govern.***

The documents which have been made available to Investors on the Representative Counsel website at https://www.millerthomson.com/en/hirise/ by Representative Counsel are specifically incorporated by reference into, and form an integral part of this Information Statement.

Capitalized words and terms not otherwise defined in this Information Statement have the meaning given to those words and terms in the Settlement and the Order.

OVERVIEW	You are receiving this Information Statement as you hold an interest in a syndicated mortgage, administered by Hi-Rise Capital Ltd. ("**Hi-Rise Capital**") 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**"). As set out in the notice of meeting enclosed herein, a meeting of the investors of the syndicated mortgage (the "**Investors**") will be held on September 25, 2019 to consider and vote on a settlement proposal proposed by 263 Adelaide Street Lofts (the "**Borrower**") in respect of the amounts owing to Investors under the syndicated mortgage. This Information Statement includes background information to the Settlement and a description of your rights as an Investor for the upcoming Meeting.
HOW TO FILL OUT THE FORM OF PROXY	If you are not able to attend the Meeting in person you may fill out and execute the form of proxy enclosed herein, within which you will appoint someone to attend the Meeting and vote on your behalf. If you fill out and execute your form of proxy but do not appoint a proxyholder on your form, Noor Al-Awqati and failing her, Brinn Norman, both of Hi-Rise will be appointed as your proxyholder (the "**Management Proxyholders**"). They will attend the meeting and

	vote in accordance with your instructions. **They do not have the power to change your vote**. If you appoint a proxyholder other than a Management Proxyholder, your proxyholder must attend the Meeting or your vote will not be counted.
HOW TO VOTE	Once you have reviewed the materials included herein and as necessary, have consulted with your legal, financial, tax and other professional advisors, it is important that you vote either in support of the Settlement (as defined herein) or against the Settlement. Voting can be completed as follows: **In Person**: Attend the Meeting in person on September 25, 2019 and vote by ballot. **Mail**: Appoint either a Management Proxyholder or a proxyholder of your choice, enter voting instructions, sign the form of proxy and send your completed form of proxy to: TSX Trust Company 301-100 Adelaide Street West Toronto, Ontario, M5H 4H1 **Internet**: Go to www.voteproxyonline.com. Enter the 12-digit control number printed on the form of proxy and follow the instructions. **Fax**: Appoint either the Management Proxyholder or a proxyholder of your choice, enter voting instructions, sign the form of proxy and fax a completed copy of the enclosed proxy form to 416-595-9593. **IMPORTANT** if you do not appoint a Management Proxyholder, your appointed proxyholder must attend the Meeting. If your appointed proxyholder does not attend the Meeting, **your vote will not be counted**. If you appoint a Management Proxyholder, **your vote for or against the Settlement will be voted according to the instructions you have provided**. Management Proxyholders cannot change your vote.
BACKGROUND TO THE MEETING	The Property was first purchased by the Borrower in June 2011 for the purpose of developing a high-rise condominium. In order to finance the development of the Property, the Borrower obtained a loan from Hi-Rise Capital in the form of a syndicated mortgage (the "**Hi-Rise Mortgage**").

	The Borrower subsequently encountered a number of delays in obtaining site approvals, certain of those delays stemming from the fact that parts of the building were designated as heritage attributes. As a result of the syndicated mortgage "freeze" in 2017, the Borrower concluded it would not be able to obtain construction financing for the Project as institutional lenders would not provide financing to projects with a syndicated mortgage in place. As such the Project remains in an undeveloped state. Under the terms of the loan agreement entered into with the Borrower, there is no mechanism for Hi-Rise to discharge the Hi-Rise Mortgage unless it receives full payment of principal and interest, which becomes due upon the completion of the Project. As such, Hi-Rise has applied to the Court for authorization to discharge the mortgage. However, to receive the Court's final approval to discharge the mortgage, Hi-Rise and the Borrower must obtain the approval of the Settlement by a majority of Investors representing two-thirds in value of the Hi-Rise Mortgage (the "**Required Majorities**"). On March 21, 2019, pursuant to the Order attached hereto as Schedule "C", the Court approved the holding of a meeting of Investors to consider, and if deemed advisable, pass a resolution approving the Settlement and the distribution of proceeds therefrom. If the Settlement is approved at the Meeting, Hi-Rise may proceed to bring a motion to the Court for final approval of the Settlement. If the Settlement is not approved at the meeting, Hi-Rise will need to seek other alternatives, set out below under "*Alternatives to the Settlement*".
CLASSES OF INVESTORS	There are two types of Investors, registered and non-registered. Those Investors who invested their cash investment directly through Hi-Rise are considered "**Non Registered Investors**". Investors who invested via a Registered Savings Plan or Tax Free Savings Account through Community Trust Company are considered "**Registered Investors**".
OFFER TO SETTLE	On August 26, 2019, 263 Holdings Inc. ("**263 Holdings**") made an irrevocable offer to settle the Hi-Rise Mortgage consisting of the following offer to Investors:

- an immediate repayment to all Investors of least $17,513,000 on closing (the "**Initial Settlement Payment**");

- Investors holding back a second mortgage (the "**Remaining Mortgage**") for the balance of their principal investment totalling an estimated $18,270,000.

- a debenture of the Borrower in the amount of $8,000,000, unsecured and non-interest bearing, payable six years from the date of closing.

A corporate guarantee of 263 Holdings, the beneficial owner of the Property and other projects, will be provided along with a personal guarantee by Mr. Jim Neilas in respect of an $8 million debenture. The personal guarantee will be limited to 25% of the total debenture.

A complete copy of the offer to settle is attached hereto as Schedule "B" attached hereto (the "**Settlement**"). The Settlement was accepted on August 29, 2019 by the Hi-Rise Board.

The Remaining Mortgage is expected to be paid out in full within two to three years on the earlier of (i) the Borrower securing construction financing or (ii) the third anniversary of the Remaining Mortgage being registered on title . Under the Remaining Mortgage, interest earns a rate of 5% per annum for the first two years. The Remaining Mortgage earns a rate of 8% per annum for the third year (if required).

The payout of the Initial Settlement Payment and the registration of the Remaining Mortgage will represent the consideration payable for the full satisfaction and release of all rights and obligations of the Borrower under the Loan Agreement, including the obligation of the Borrower to repay the Hi-Rise Mortgage.

Hi-Rise acknowledges that upon receipt of the Initial Settlement Payment, it waives any rights to any further payments to Investors, if any, that may become payable to Hi-Rise under the Loan Agreement or any related documentation.

The total payments expected to be paid to Investors pursuant to the Settlement are as follows:

- Interest Paid to Date Investors:
  - Registered Accounts: $3,094,770
  - Non-registered Accounts: $7,430,963

	• Initial Settlement Payment: $17,513,989 • Remaining Mortgage: $18,270,000 If the Settlement is approved, the total payments to Investors is estimated to be $43,783,989 (approximately $22.2 million for Registered Investors and $21.6 million for Non-Registered Investors), which is $8,458,511[1] less than the current amount outstanding under the Loan Agreement, being $ 52,242,500.[2] The Settlement sets out that Hi-Rise must use commercially reasonable efforts to seek the approval of the Settlement by way of a court order issued by the Ontario Superior Court of Justice (Commercial List) (the "**Final Order**"). Until such time as a Final Order is received, the Settlement as described above will not be binding. As noted above, in order to obtain the Final Order, Hi-Rise is required to obtain the approval of the Settlement by a majority of Investors representing two thirds in value of the Hi-Rise Mortgage.
REPRESENTATIVE COUNSEL AND THE INVESTOR COMMITTEE	On March 21, 2019, pursuant to the Order, Miller Thompson LLP was appointed as representative counsel of the Investors ("**Representative Counsel**"). The role of Representative Counsel is to negotiate an early exit of the Hi-Rise Mortgage with the Borrower and to present the Settlement to Investors for their approval. However as of the date of this Information Statement, Hi-Rise has not been able to come to a resolution on a Settlement with Representative Counsel. With input and direction from a committee of Investors consisting of Marco Arquilla, Nikolas Tsakonacos, Vipin K. Kery and Michael Singh (the "**Investor Committee**"), Representative Counsel informed the Borrower of the following decisions: 1. Declined to retain a financial advisor to assist in determining the fairness of the transaction and the Settlement as Representative Counsel advised that Nikolas Tsakonacos, a member of the Investor Committee and a chartered accountant had taken the position that he could provide the

[1] Note that this figure does not take into account the accrued interest, being $15,987,059.79 as at October 16, 2019. Interest continues to accrue on a daily basis.

[2] Note that this figure does not take into account the accrued interest. With accrued interest the total amount payable is $68,229,559.79 as at October 16, 2019.

	review and analysis of the Settlement to the Investors without retaining an advisor. 2. Requested that Hi-Rise and the Borrower agree to the Investor Committee engaging an advisor to complete a comprehensive investigation on the Borrower's entire operations, from the inception of its operating history, including all other projects the Borrower has been involved with. 3. On August 24, 2019, opted to make retaining a financial advisor conditional on terms that Hi-Rise and the Borrower could not accept, the result of which being the Investor Committee directing Representative Counsel to not engage an advisor to assist with analyzing the transaction and settlement at all. 4. Applied to the Court to cancel the Trustee Application and stop the vote. 5. Threatened to apply to the Court for a receivership over the Borrower. The Investor Committee has to date refused to meet and negotiate with the Borrower or participate in the settlement process or hire a financial advisor (or has made the hiring of a financial advisor conditional on terms not related to the Settlement that Hi-Rise and the Borrower could not accept). The Borrower for its part, has offered to agree and pay for a financial advisor to assess the transaction and the settlement and has agreed to provide access to the Borrower and BMO. The Investor Committee has declined unless the Borrower agrees to an order that results in a review and audit of its entire operations, including all related entities and third party consultants from the company's inception in 2004. As the Borrower and Representative Counsel have been unable to agree on the terms of a settlement, on August 28, 2019 the Borrower was forced to make a firm offer to Hi-Rise setting out terms of Settlement, without the endorsement of Representative Counsel or the Investor Committee. On August 29, the board of Hi-Rise reviewed and accepted the offer and resolved to recommend the offer to Investors. Upon reviewing and considering the Settlement, the Investor Committee and Representative Counsel have decided to recommend AGAINST the Settlement.

	The Investor Committee cited the following reasons for recommending against the Settlement: 1. They do not believe that the Property yielded no all cash offers during the sales process; 2. They believe that a financial recovery to Investors would be greater if Meridian Credit Union ("**Meridian**") were to sell the Property as a distressed asset; and 3. They believe that the cash payable on closing should be higher for Non-Registered Investors. The Investor Committee has also taken the position that they are unwilling to agree on any deal in which the Borrower would receive any form of financial recovery, unless Investors are paid full principal and interest. This would require a fairly quick sale at a price of $86 million, and there is no evidence that leads Hi-Rise or the Borrower to believe that a sale price anywhere near this amount can be achieved. The Borrower and Hi-Rise both disagree with the conclusion reached by the Investor Committee and share concerns regarding the conduct of the Investor Committee during the negotiation process. In particular, concerns about the leadership of Nikolas George Tsaconakos, who previously has been fined $175,000 and banned from seeking any employment with regulatory compliance or regulatory supervisory responsibilities for conduct unbecoming and detrimental to the public interest through a general and systemic failure to design, establish, oversee and implement an effective compliance program. In this case, Nikolas Tsakonacos opposed retaining a financial advisor on behalf of investors taking the position that he could provide the review and analysis required. The Board of Hi-Rise strongly took issue and disagreed with this decision. Details of the settlement reached by Mr. Tsacanokos can be found here: https://www.iiroc.ca/Documents/2002/096BD07D-5B7B-46D1-9C23-0C971C4256B5_en.pdf.
TIMING OF SETTLEMENT IMPLEMENTATION	It is currently anticipated that the Settlement will be implemented in accordance with the following timetable: September 25 2019 Meeting to vote on the Settlement

	October 2019 — Final Order December 2019 — Initial Repayment to Investors December 2021 (or December, 2022) — Remaining Mortgage Repayment (this payment may be delayed by one year at the option of the Purchaser) December, 2024 (estimated) — Remaining Mortgage Repayment from the Holdings Guarantee after the project is complete Note that the dates above assume a closing in December 2019. These dates will be adjusted accordingly if the closing date is amended.
ANTICIPATED RETURN OF CAPITAL UPON IMPLEMENTATION OF THE SETTLEMENT	For illustrative purposes upon the implementation of the Settlement, Registered Investors could receive a payment of an estimated $142,127 on an initial investment of $100,000 and a Non-Registered Investor could receive a payment of $84,853. The below table sets out the estimated payments to be made to Registered and Non-Registered Investors under the Settlement: **Registered Investor:** **Initial Investment** — **$100,000** — **100%** Interest Paid to Date to Investors[1]: — $17,766 — 18% Initial Repayment of Principal[2]: — $100,000 — 100% Partial Interest Payment on Closing[3]: — $542 — 1% Remaining Interest Payment converted to Second Mortgage paid on Mortgage Maturity[4]: — $26,770 — 27% **Total Repayment on $100,000 Investment:** — **$145,079** — **145%** **Non-Registered Investor:** **Initial Investment** — **$100,000** — **100%** Interest Paid to Date to Investors[1]: — $21,339 — 21% Initial Repayment of Principal[2]: — $0 — 0% Remaining Mortgage paid on Mortgage Maturity[3]: — $40,551 — 39% Remaining Mortgage paid from holdings guarantee paid on project completion[4]: — $22,973 — 23% **Total Repayment on $100,000 Investment:** — **$84,863** — **83%** **Notes:** (1) Interest paid to date to Investors varies from one investor to the other depending on how much interest has been received to date. (2) There is no payment made to Non-Registered Investors in October 2019.

	(3) Payment is expected on or before October 2022. (4) Payment is expected on project completion for October 2025.
INITIAL INVESTMENT AND DISCLOSURE	Investors have previously been informed of the high risk nature of their investment in the Hi-Rise Mortgage. The loan-to-value ratio, which is a financial term used by lenders to express the ratio of a loan to the value of an asset, disclosed to Investors within the Hi-Rise Mortgage documentation between 2011 and 2017 ranged from 181% to 300%. The higher the loan-to-value ratio, the higher the risk for a lender. For example, a loan-to-value ratio of 181% represents a loss of 79% an Investor's principal invested if the property is liquidated in its existing state and a loan-to-value ratio of 300% represents a loss of 100% of an Investor's principal if the property is liquidated in its existing state. The loan-to-value ratio for the Remaining Mortgage obtained as a result of the Settlement is 90% if past interest payments are included, and 70% if no past interest payments are included. The Settlement represents a significantly higher recovery and lower risk exposure than what which was disclosed to Investors as the potential loss in the event of an early exit. The disclosure document Investors relied on disclosed a potential recovery as low as 0% to 21% of principal invested.
HI-RISE WAIVES RECOVERY OF ADMINISTRATIVE COSTS	Following the syndicated mortgage market "freeze" in 2017, Hi-Rise, and its principals have carried the cost of administering the Hi-Rise Mortgage. As at the date of this Information Statement, Hi-Rise and its principals have incurred costs of approximately $9,000,000. Hi-Rise has waived its right to recover this cost and has limited its application for costs to the legal fees associated with the Settlement.
ALTERNATIVES TO THE SETTLEMENT	In the event that that a majority of Investors fail to approve the Settlement at the Meeting, the options Hi-Rise has to exit and wind up the Hi-Rise Mortgage are as follows: • Commence litigation with the Borrower; • Initiate bankruptcy proceedings under the *Bankruptcy and Insolvency Act;*

	• Complete a court ordered sale by first mortgagee; • Initiate an insolvency proceeding under the *Companies and Creditors Arrangement Act*; or • Leave the Hi-Rise Mortgage in place indefinitely and seek alternatives to constructing the building. After consulting with its advisors, Hi-Rise has concluded that the above listed processes will take longer to complete and will result in the Investors receiving a substantially less advantageous outcome than the Settlement. In the event that the Investors vote no to the Settlement, it is expected that Meridian would seek a court ordered sale. In such a scenario, Investors will lose control of the process and will not have a say or vote on what happens with their investment.
DISPOSITION OF THE PROPERTY	*The Exit Process* The intended exit for the Property was construction and sale of the completed building (or units). However given that the Borrower will be unable to secure construction financing with a syndicated mortgage in place, Hi-Rise has concluded that the completion of the Project by the Borrower alone is no longer possible. Unfortunately, this fact is harmful to your investment as the exit plan you have invested in is no longer possible. Given that the Borrower is entitled to extend the Hi-Rise Loan Agreement and accrue interest and Hi-Rise is not entitled to enforce its security due to a standstill agreement with Meridian Credit Union investors requested an early exit of the Hi-Rise Mortgage. The only option available was to request an outright sale of the property. Hi-Rise approached the Borrower began the process of selling the Property in June of 2017. Shortly thereafter, an independent board of directors of Hi-Rise was established to ensure that the interests of the Investors would be protected throughout the sales process. *Engagement of BMO* In May of 2017, the Borrower began interviews with potential brokers and advisors to cause an early exit of the Property by way of outright sale of the Property. The size, type of asset, location, and stage of development, are all aspects the Borrower considered when selecting an advisor.

	After considering several brokerage firms and investment banks, the Borrower retained BMO to act as the advisor on the sale of the Property. In the opinion of the Borrower, BMO was best suited for the role based on recent transactions they had advised on, their expertise in the area and the strength of their proposal to the Borrower in respect of the Property. *Sale Process* The Borrower began seeking purchasers for the Property in July of 2017 with the assistance of BMO. It conducted two rounds of bids (with the first round failing to identify a potential purchaser) and eventually identified purchasers who would enter into a joint venture for the development of the Property. The joint venture is not considered to be an outright sale of the Property, but rather an agreement to jointly build and develop the Property. The Borrower was not able to secure an outright purchase of the Property through the process. BMO was originally engaged to sell two properties: the Property (263 Adelaide Street West) and 40 Widmer Street, a residential development property close to the Property. Widmer successfully sold and set a new record for residential land transactions. Adelaide did not sell due to uncertainties with the constructability. The Borrower stopped marketing the property for sale and re-listed the Property in August of 2018 after it made more progress on the zoning and clarified some requirements relating to the heritage and rental replacement aspects of the Property. *Joint Venture Agreement* On April 10, 2019, the purchaser, being Lanterra Developments Limited (the "**Purchaser**") entered into a binding term sheet ("**Term Sheet**") with 263 Holdings Inc. (the "**Vendor**") an affiliate of the Borrower, pursuant to which the Purchaser agreed to enter into a joint venture agreement in respect of the Property pursuant to which it would hold a 75% interest in the Property and the Borrower would retain a 25% interest in the property through a single purpose limited partnership (the "**Property Transaction**"). Pursuant to the terms set out in the Term Sheet, the Purchaser will secure a land loan of $36,575,000 and will make $20,000,000 available for distribution to the Investors after paying out an aggregate amount of $16,414,000 to the first mortgage lender, Meridian. The Purchaser will also secure a second loan in the form

	of the Remaining Mortgage, the terms of which are set out below under the section "*Key Terms of the Remaining Mortgage*". It is anticipated that the Project will take approximately five years to complete. The Borrower will guarantee all loans on the Property. The Borrower will also earn a development fee as well as property management fees in the following amounts: • 0.75% of the gross sales value as a developer fee; and • $5,000 per month as a property management fee for managing all aspects of the property (such as: (i) managing all tenant; (ii) working with real estate agents for leasing units (iii) day to day care of the building including tenant and building emergencies, fire, electrical, water and mechanical maintenance requirements). The Purchaser will also provide all development, construction and cost-overrun and completion cost guarantees required for the redevelopment of the Property, including but not limited to, land and construction financing. The closing of the Property Transaction is subject to a number of standard and customary closing conditions including, among other things, (i) the absence of pending or threatened litigation in respect of the Property Transaction, (ii) delivery of customary legal opinions, closing certificates and other closing documentation and (iii) all other necessary consents, approvals, exemptions, and authorizations of governmental bodies, lenders, lessors and other third parties but which shall specifically exclude the rezoning or development approvals which are not conditions to closing. The Term Sheet sets out that the Project is anticipated to require capitalization of approximately $300,000,000 comprised of $195,000,000 of debt, $57,000,000 of deferred costs and insured deposits, and $48,000,000 of equity. Ultimately project debt is expected to represent 65% of the Project's capitalization. Note that the Property Transaction has the private equity group of BMO participating (at its option) as an equity investor. BMO's participation was not contemplated until after no cash offers materialized in the second part of the sale process. BMO's private equity group will only participate after construction financing is obtained. Under the terms of an amending agreement entered into between the Vendor and the Purchaser on June 28th, 2019, the Term Sheet will

	terminate and be of no further effect upon (i) the failure of the parties to settle and enter into definitive agreements, (ii) the failure of the Vendor to obtain approval of the Transaction from Hi-Rise Capital within a set time frame, (iii) at the option of the Purchaser upon the failure of the Vendor to deliver all closing deliverable required under the Term Sheet (iv) at the option of the Vendor upon the failure of the Purchaser to deliver the closing deliverable required under the terms sheet (v) by mutual written agreement of the parties and (vi) October 16, 2019. Note that it is anticipated that the parties will agree to an extension of the outside date for the agreement to December 2019.
KEY ITEMS TO HIGHLIGHT IN THE PROPERTY TRANSACTION	The Property Transaction was specifically negotiated with the interests of the Investors and Hi-Rise in mind, as evidenced by the following: • the Purchaser has agreed to secure new debt, in the form of a $36,575,000 mortgage (the "**New First Mortgage**") in order to pay out a portion of the existing mortgages on title; • the Purchaser has also agreed to secure a second mortgage (the "**Remaining Mortgage**") for the benefit of Investors in the amount of $18,270,000, and under the terms of the Remaining Mortgage, has agreed to provide a full guarantee on the principal and interest. • the Purchaser has agreed to discharge the Remaining Mortgage on or prior to the earlier of (i) the date on which any construction loan (which is expected to exceed $250 million) is advanced or (ii) three years following the registration of the Remaining Mortgage on title. This will reduce the Investor's exposure to risk. • the Purchaser has agreed to provide a full corporate guarantee on the Remaining Mortgage. The Purchaser's corporate guarantee is considered strong by BMO.
KEY TERMS OF THE HI-RISE MORTGAGE	Under the terms of the Hi-Rise Mortgage, the Borrower is entitled to renew the mortgage annually, and is permitted to accrue interest until completion of the Project. There is no restriction on how long the Borrower may accrue interest and the Borrower is under no obligation to pay the mortgage out until the completion and sale of the Project.

	The Hi-Rise Mortgage must be subordinate to all project financing, including construction financing, or any other project financing that is secured to fund construction and completion of the Project. At present, the Hi-Rise Mortgage is in second position behind Meridian which holds a mortgage with principal owing of $16,414,000, plus accrued interest of $166,000 as of September 5, 2019. Hi-Rise has agreed to a standstill, a condition typically required by first mortgage lenders when they permit a second to be registered on title. Under the terms of the standstill, Hi-Rise cannot take any action to enforce the mortgage. If it could take action to enforce the mortgage, the Borrower has a potential cause of action against Hi-Rise for failing to advance on the mortgage as well as not remaining until completion of the Project.
KEY TERMS OF THE REMAINING MORTGAGE	The Remaining Mortgage will be granted by the Purchaser, as mortgagor, to a Hi-Rise entity who will act as trustee and hold the Remaining Mortgage for the benefit of Investors as mortgagee (the "**Remaining Mortgagee**") and will be subordinated and postponed to the New First Mortgage, the terms of which will be set out in an inter-lender agreement between the Remaining Mortgage and the mortgagee of the New First Mortgage. • The Remaining Mortgage will have the following terms and conditions: o The maturity date of the Remaining Mortgage will be the earlier of (i) the receipt of the shoring and excavation permit for the project to be developed at the Property, and (ii) the date which is three years next following the closing date of the Property Transaction. o The principal amount of the Remaining Mortgage will be equal to the positive difference between (i) 73,150,000, and (ii) the aggregate of (1) the principal amount of the New First Mortgage and (2) the equity contribution made by 263 Holdings Inc.to the Purchaser of $18,287,500. The anticipated principal amount of the New First Mortgage is $36,575,000. The anticipated principal amount of the Remaining Mortgage is therefore $18,287,500. o Interest on the Remaining Mortgage will be payable at five percent per annum during the first two years

	of the term and eight percent per annum for the final year of the term, in each case calculated semi-annually not in advance. This amount is being advanced on closing. o The Borrower shall have the right to prepay the Remaining Mortgage in whole or in part, without penalty, bonus, set-off or deduction on note less than thirty days' prior written notice. o The Remaining Mortgage will be assignable by the Remaining Mortgagee with the prior written consent of the joint-venture partnership, such consent not to be unreasonably withheld, conditioned or delayed. • The interest reserve will be held in trust with a law firm mutually acceptable to the Purchaser and Hi-Rise. The interest reserve will be released immediately for distribution on closing and will form part of the closing proceeds to investors. • Upon the repayment in full of the Remaining Mortgage, the Remaining Mortgagee will agree to execute an acknowledgement and direction authorizing the discharge of the registered charge from title and if so requested by the joint-venture partnership, a full and final release of each of parties.
OTHER MATERIAL FACTORS AFFECTING RECOVERY OF THE ORIGINAL FIRST MORTGAGE	The following is a list of factors supporting Hi-Rise's decision to complete the Property Transaction and move forward with the Settlement: *First Mortgage Loan Non-Renewal:* The Meridian Credit Union loan came due in February of 2019. Meridian is not renewing the loan. Meridian has agreed to not enforce their mortgage until Hi-Rise Capital completes the Meeting and completes its court application. *Dramatic Increase in Construction Costs:* Construction costs have increased dramatically. The current zoning for the Property has rendered construction cost prohibitive and changes to the zoning are required.

	Sale Process: The sale process yielded no all cash offers that offered an acceptable recovery for the Hi-Rise Mortgage (only joint venture offers).
RECOMMENDATION OF HI-RISE CAPITAL BOARD OF DIRECTORS	The boards of directors of Hi-Rise Capital Ltd. recommend that the Investors vote FOR or YES to the resolution to approve the Settlement. In reaching its decision to support and recommend the Settlement, the board concluded that the Settlement would: • provide Investors with an efficient process to achieve an early exit of the Hi-Rise Mortgage; • provide Investors with more control over the process than if recovery of the investment was completed through litigation or sold under court order by Meridian as a distressed asset; • provide Investors with direct independent legal representation ensuring that Investor's interests are strongly advocated; • provide for a settlement of, and consideration for, all claims by Investors; • add certainty to the ultimate outcome of the Hi-Rise Mortgage; and • avoid a distress sale which would likely result in a significantly lower price for the Property and a worse recovery for Investors.
SUPPORT OF GRANT THORNTON AS FINANCIAL ADVISORS TO HI-RISE CAPITAL	Grant Thornton Limited (**"Grant Thornton"**) were retained to act as financial advisors to Hi-Rise in connection with the Settlement. As part of their review of the Settlement, Grant Thornton conducted a thorough review of the documentation related to the Hi-Rise operations, and the Settlement, and have prepared two reports that detail their findings in respect of the following: **Report on Hi-Rise Operations** • Hi-Rise's bank statements;

	• Project appraisals and valuations; • Sample of Investor loan participation agreements, Investor disclosure packages and mortgage loan documents; • Sample Hi-Rise marketing materials; and • Correspondence from Investors. Based on their review of the above, Grant Thornton concluded: • The actions taken by Hi-Rise have been well documented and supported; • Hi-Rise completed an adequate credit analysis prior to making amendments to the mortgage commitment; • Adequate disclosure was provided to Investors in respect of the risks associated with the real estate development market, potential conflicts of interest, related party transactions, Investor rights and fees (including amounts and fees); • Hi-Rise did consider project viability and recovery when setting mortgage lending limits and subsequent amendments; • Investor payments were paid in accordance with the respective loan agreements and Investors were provided with adequate disclosure in respect of the risk of their investment; • There was no co-mingling of Investor proceeds; • The marketing materials did not contain information that was inconsistent with Investor disclosure; • The financial data provided to Investors was consistent with the *pro forma* financials statements and claims regarding the status of the Project; and • The Investors received consistent updates regarding any material changes to the Project **Report on the Settlement** • The circumstances which have led to the Settlement appear to be separate and distinct from the circumstances that led to the failure of other syndicated mortgages in Ontario. • The sales process undertaken by BMO was thorough and yielded the best price

	• They support management's decision to approve the settlement because it represents a better outcome than the alternatives • Were it not for management's efforts and capital injection over the last two years, investors may not have had as good an outcome • Complexity of construction due to Heritage aspect of property is primary reason no cash offers have been received for the Property Grant Thornton has concluded that if Investors vote NO to the Settlement, a receivership sale would be challenging as the market appears to have been exhaustively canvassed in the sales process. If Investors vote YES to the Settlement, there is a payment stream for Investors estimated to total $43.8 million. As such Grant Thornton has concluded that the Settlement appears to possess less risk and provides clarity and certainty to Investors. Grant Thornton does not disagree with management of Hi-Rise's recommendation that Investors vote YES to the Settlement.
CLASSIFICATION OF INVESTORS: FIRST AND SECOND PRIORITY	Pursuant to the terms of the Settlement, Investors shall rank in priority according to their documents. Registered Investors will rank in priority to Non-Registered Investors, and will earn full principal and interest. Non-Registered Investors will be paid all remaining funds. Non-Registered Investors will be treated equally and shall receive their returned principal on a *pari passu* basis with all other Non-Registered Investors, regardless of when an investment was made. The amount of interest paid to the Investor to date shall have no impact on the repayment priority to Investors under the Settlement.
MEETING	Pursuant to the Order granted by the Court on March 21, 2019, the Meeting has been called for the purposes of having Investors consider and vote whether to approve the Settlement. The Meeting is scheduled to be held at 1:00 p.m. (Toronto time) on September 25, 2019 at the InterContinental Toronto Centre, 225 Front Street West, Toronto, ON, M5V 2X3. The Meeting will be held in accordance with the Order and any further Order of the Court. The only persons entitled to attend each of the Meeting are those specified in the Order.

	A representative of Hi-Rise will preside as the chair of the Meeting (the "**Chair**") and, subject to the Order or any further Order of the Court, will decide all matters relating to the conduct of the Meeting. The Chair will direct a vote with respect to the approval of the Settlement. The form of resolution to approve the Settlement is attached as Schedule "A" to this Information Statement (the "**Settlement Resolution**"). Following collection of the votes at the Meeting and those submitted electronically, TSX Trust Company, the scrutineers appointed will tabulate the votes and Hi-Rise will determine whether the Settlement has been accepted by the Required Majorities, all in accordance with the procedure established in the Order. Hi-Rise will file a report with the Court regarding the Meeting and the Settlement, including the results of the votes. A copy of such report will be posted on the Representative Counsel's website prior to the hearing to consider the Settlement.
ENTITLEMENT TO VOTE	Investors shall be entitled to vote at the Meeting in person or by proxy. Proxy voting is a process by which an Investor's vote will count at the meeting but does not require the Investor's attendance at the Meeting. More information about this process is outlined below.
WEIGHT OF VOTING	The weight of votes shall be proportional to the size one's investment in the Hi-Rise Mortgage, with the aggregate value of $52,242,500 to be represented by such votes. Note that the aggregate value of the mortgage will be finalized at the time of voting and discharge and may change from the value reflected herein.
APPOINTMENT OF PROXYHOLDERS AND VOTING	An individual that is not an Investor may only attend and vote at a Meeting if it has appointed a proxyholder to attend and act on its behalf at such Meeting. All proxies submitted in respect of the Investors must be: (i) submitted by 1:00 p.m. at least two business days prior to the Meeting; and (ii) in substantially the form of the proxy enclosed herein, or in such other form acceptable to the chair of the Meeting. Investors have the power to revoke proxies previously given by them. Revocation of proxies by Investors can be effected by an instrument in writing (which includes a form of proxy bearing a later date) signed by a Investor or the Investor's attorney duly authorized in writing (in the case of a corporation, such investment must be

	executed under its corporate seal or signed by a duly authorized officer or attorney for the corporation) which is either delivered to TSX Trust Company at 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1, Canada any time up to and including the close of business on the last business day preceding the day of the Meeting, or any postponement or adjournment thereof, or deposited with the Meeting Chair prior to the hour of commencement on the day of the Meeting.
APPROVAL OF SETTLEMENT	In order for the resolution to pass, the Settlement must be approved by a majority in number of Investors representing at least two thirds in value of the voting claims of Investors, in each case present and voting in person or by proxy.
COURT APPROVAL OF SETTLEMENT	If the Settlement is accepted by the Required Majorities, Hi-Rise will bring a motion to the Court for: (a) Final approval of the Settlement; (b) Further direction pursuant to section 60 of the *Trustee Act* as is appropriate to permit it to carry out its role in a manner consistent with the loan participation agreement and mortgage participation agreements; and (c) Approval of the conduct and fees of Representatives Counsel.

Schedule "A"

Settlement Resolution

"BE IT RESOLVED AS A SPECIAL RESOLUTION OF INVESTORS IN THE HI-RISE CAPITAL LTD. MORTGAGE OVER THE PROPERTY MUNICIPALLY KNOWN AS 263 ADELAIDE STREET WEST THAT:

1. subject to the approval of the Superior Court of Justice (Commercial List), the proposed settlement, as more particularly described in the information statement of Hi-Rise Capital Ltd. ("**Hi-Rise**") dated September 6, 2019 is hereby approved.

2. Any one officer or director of Hi-Rise be, and each of them hereby is, authorized and empowered, acting for, in the name of and on behalf of Hi-Rise to execute or cause to be executed and to deliver or to cause to be delivered all such documents, all in such form and containing such terms and conditions as any one of them shall consider necessary or desirable in connection with the foregoing and such approve, such approval to be conclusively evidenced by the execution thereof by Hi-Rise, and to do or to cause to be done all such acts and things as any one of them shall consider necessary or desirable in connection with the foregoing or in order to give effect to the intent of the foregoing paragraph of this resolution."

Schedule "B"

SETTLEMENT AGREEMENT

See attached.

263 Holding Inc.

August 26, 2019

Re: 263 Adelaide Street West Mortgage Loan

Irrevocable Offer to Settle

This is an irrevocable offer to settle the mortgage on the above noted property. This offer reflects a month of ongoing discussions with the investment committee. We do not know if they will support the offer but this is what we feel we can offer at this time.

As you know, there are three components to an investor payout:

1. Closing (net funds from the $20 million in excess of the first mortgage loan of $36,575,000);
2. New 2nd mortgage in the amount of $18,270,000
3. Debenture issued by 263 Holdings Inc., Mr. Neilas' main holding company that will hold the JV interest in the Adelaide project

We are prepared to offer investors the following:

1. Payout of $17,513,000 on closing, as per the Grant Thornton calculation;
2. Registration of a new second mortgage as with interest payable of zero (the investment committee requested the interest reserve to be released on closing so it is included in the closing payout;
3. A debenture in the amount of $8,000,000, unsecured, non-interest bearing, payable in 6 years from the date of closing, from the 263 Holdings Inc., Mr. Neilas' main development company, and the one which will hold the interest in the JV.

We are willing to provide a corporate guarantee of the main company holding assets (263 Holdings Inc.). We are also willing to provide a personal guarantee for the debt instrument.

We propose the following:

1. Mr. Neilas will provide a debenture of $8 million.

2. Mr. Neilas will personally guarantee 25% of the debenture, which is consistent with industry practice.

Please respond to this counter offer no later than 5 pm on Tuesday, August 27, 2019.

Jim Neilas, ASO

SCHEDULE "C"

ORDER

See attached.

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.

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;

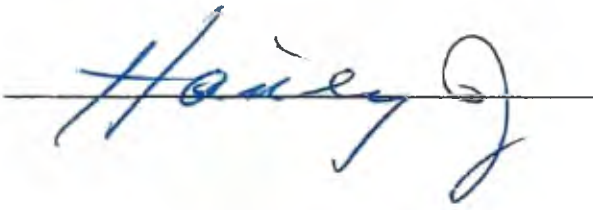
(b) further directions to pursuant to section 60 of the *Trustee Act* as are appropriate to permit it to carry out its role in a manner consistent with the LPA and MAA and its duties at law; and

(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 Halney 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

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Lawyers for the Applicant, Hi-Rise Capital Ltd.

HI-RISE CAPITAL LTD.

Hi-Rise Capital Limited

Voting Ballot

(referred to as the form of proxy in the Information Statement)

Investor Meeting
September 25, 2019 at 1:00 PM (EST)
InterContinental Toronto Centre
225 Front Street West, Toronto, ON M5V 2X3

CONTROL NUMBER:
SEQUENCE #:
FILING DEADLINE FOR PROXY: September 23, 2019 at 1:00 PM (EST)

VOTING METHOD	
INTERNET	Go to www.voteproxyonline.com and enter the 12 digit control number above
FACSIMILE	416-595-9593
MAIL or HAND DELIVERY	TSX Trust Company 301 - 100 Adelaide Street West Toronto, Ontario, M5H 4H1

The undersigned hereby appoints **Noor Al-Awqati** of the Company, failing whom **Brinn Norman** of the Company (the "Management Nominees"), or instead of any of them, the following Appointee

Please print appointee name

as proxyholder on behalf of the undersigned with the power of substitution to attend, act and vote for and on behalf of the undersigned in respect of the resolution contained herein at the Meeting and at any adjournment(s) or postponement(s) thereof, to the same extent and with the same power as if the undersigned were personally present at the said Meeting or such adjournment(s) or postponement(s) thereof in accordance with voting instructions, if any, provided below.

- SEE VOTING GUIDELINES ON REVERSE -

RESOLUTIONS – MANAGEMENT VOTING RECOMMENDATIONS ARE INDICATED BY HIGHLIGHTED TEXT ABOVE THE BOXES

	FOR	AGAINST
1. Proposed Transaction FOR or AGAINST a special resolution approving the proposed settlement described in the Company's Information Statement dated September 5, 2019	☐	☐

This proxy revokes and supersedes all earlier dated proxies and **MUST BE SIGNED**

PLEASE PRINT NAME	*Signature of registered owner(s)*	*Date (MM/DD/YYYY)*

TMX | TSX Trust

Proxy Voting – Guidelines and Conditions

1. **THIS PROXY SHOULD BE READ IN CONJUNCTION WITH THE MEETING MATERIALS PRIOR TO VOTING.**

2. **If you appoint the Management Nominees, they will vote in accordance with your instructions or, if no instructions are given, the proxy will be considered "spoiled" and will not be voted. If you appoint someone else, they will also vote in accordance with your instructions or, if no instructions are given, as they in their discretion choose.**

3. **Each Investor has the right to appoint a person other than the Management Nominees specified herein to represent them at the Meeting or any adjournment or postponement thereof.** Such right may be exercised by inserting in the space labeled "*Please print appointee name*", the name of the person to be appointed, who need not be an Investor.

4. To be valid, this proxy must be signed. Please date the proxy. If the proxy is not dated, it is deemed to bear the date of its mailing to the Investors.

5. To be valid, this proxy must be filed using one of the ***Voting Methods*** and *must be received by TSX Trust Company* before the ***Filing Deadline for Proxies***, noted on the reverse or in the case of any adjournment or postponement of the Meeting not less than 48 hours (Saturdays, Sundays and holidays excepted) before the time of the adjourned or postponed meeting. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any particular late proxy.

6. If the Investor is a corporation, the proxy must be executed by an officer or attorney thereof duly authorized, and the security holder may be required to provide documentation evidencing the signatory's power to sign the proxy.

7. Guidelines for proper execution of the proxy are available at www.stac.ca. Please refer to the Proxy Protocol.

APPENDIX "D"

Projected Investor Recoveries from the Proposed Settlement

Illustrative Estimate of Proceeds ('000s) *Expected timeline*	First Mortgage *December 2019*	VTB Mortgage *December 2021*	Debenture *December 2025*	Total	Per GT Report
Proceeds					
Senior Mortgage	36,575			36,575	36,575
VTB Mortgage - Principal		18,270		18,270	18,270
VTB Mortgage	1,850			1,850	1,850
Debenture			15,000	15,000	8,000
Total Proceeds	**38,425**	**18,270**	**15,000**	**71,695**	**64,695**
First Mortgage					
Meridian Balance Owing as at June 14, 2019	(16,620)			(16,620)	(16,620)
Meridian Accrued Interest	(598)			(598)	(332)
Proceeds Available After Meridian Mortgage	**21,207**	**18,270**	**15,000**	**54,477**	**47,743**
Priority Amounts					
BMO Sale Fee	(1,615)			(1,615)	(1,615)
City of Toronto (outstanding taxes)	(343)			(343)	(280)
Proceeds Available After Priority Amounts	**19,250**	**18,270**	**15,000**	**52,520**	**45,848**
Legal & Advisor Fees					
Cassels Brock & Blackwell LLP	(160)			(160)	(160)
Stikeman Elliott LLP	(250)			(250)	(250)
McCarthy Tetrault LLP	(300)			(300)	(300)
Miller Thomson LLP	(400)			(400)	(350)
Due to Consultants	(4)			(4)	(4)
263 Holdings Inc. Costs	(1,000)			(1,000)	(1,000)
Information Officer	(100)			(100)	-
Proceeds Available After Legal & Advisor Fees	**17,036**	**18,270**	**15,000**	**50,306**	**43,784**

Total Proceeds Available for Investors					
Proceeds for Registered Investors ($)	17,036	5,280	-	**22,316**	**22,171**
Proceeds for Non-Registered Investors ($)	-	12,990	15,000	**27,990**	**21,613**
Recovery for Registered Investors (%)	*76%*	*24%*	*0%*	***100%***	***100%***
Recovery for Non-Registered Investors (%)	*0%*	*28%*	*32%*	***60%***	***47%***

APPENDIX "E"

Information Officer's Truncated Receivership Scenarios

Truncated Receivership Scenario ('000s)	Notes	Low	High
Months		*4*	*4*
Estimated Sale Price	*1*	**71,170**	**76,071**
Less:			
Zoning	*2*	-	-
Sale Fee	*3*	(1,276)	(1,472)
Property Taxes	*4*	(351)	(351)
Meridian Mortgage as at June 14, 2019	*5*	(16,620)	(16,620)
Meridian Mortgage Carrying Costs	*6*	(623)	(623)
Operating Costs net of Rent Received	*7*	(441)	(441)
Legal Fees of Appointing Creditor	*8*	(100)	(100)
Receiver's Fees	*8*	(435)	(435)
Receiver's Legal Fees	*8*	(230)	(230)
Miller Thomson LLP	*9*	(400)	(400)
Information Officer	*10*	(100)	(100)
Investory Recovery (without Potential Priority Costs)		**50,595**	**55,300**
Priorities Asserted by Hi-Rise			
Professional Fees & Consultants	*11*	(2,954)	(2,954)
Wages, Benefits & Office Expenses	*8*	(1,750)	(1,750)
Investory Recovery (with Potential Priority Costs)		**45,891**	**50,595**

Summary of Notes & Key Assumptions

1. The purchase prices included in the Truncated Receivership summary, are based on: (a) in the Low purchase price scenario, an estimated purchase price that would be required for Non-Registered Investors to receive the same (or similar) nominal recovery as they would in the Proposed Settlement, assuming Hi-Rise does not assert, or is not successful in asserting, the Hi-Rise Potential Priority Costs ($4.7 million); and (b) in the High purchase price scenario, an estimated purchase price that would be required for Non-Registered Investors to receive the same (or similar) nominal recovery as they would in the Proposed Settlement, assuming Hi-Rise is successful in asserting the Hi-Rise Potential Priority Costs ($4.7 million).
2. The Information Officer has assumed that no zoning-related expenses will be paid in a Truncated Receivership.
3. Estimated based on the existing Sale Fee arrangement with BMO. Does not include HST as the Information Officer is of the view that HST is recoverable.
4. Per Hi-Rise, there is an outstanding balance of approximately $334,240 in property taxes for the Property as at October 1, 2019. This amount includes the outstanding balance as at October 1, 2019 plus four months of accrued interest.
5. Per the Meridian demand letter dated June 14, 2019.
6. This amount is estimated based on the accrual of interest and other related expenses totaling approximately $83,000 per month on the Meridian Mortgage from June 14, 2019 to the end of the receivership.
7. Operating Costs included herein are based on the costs included in the GT Report labelled "Hi-Rise/Consultants" net of a provision of rent revenue forecast during the Truncated Receivership period.

8. Costs used herein are based on those included in the GT Report, some of which are reduced to reflect the shorter time period during the Truncated Receivership.
9. Per Court Order (Increase of Representative Counsel Charge) dated September 17, 2019.
10. Per Court Order (Appointment of Information Officer) dated September 17, 2019.
11. Estimate per GT Report less Representative Counsel's (Miller Thomson LLP) legal fees which form a priority charge on the Property and are included above in the Miller Thompson LLP line.

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

HI-RISE CAPITAL LTD.	- and -	**SUPERINTENDENT OF FINANCIAL SERVICES *et al.***
Applicant		Respondents

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

REPORT OF THE INFORMATION OFFICER

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Lawyers for Alvarez & Marsal Canada Inc., in its capacity as Information Officer

This is Exhibit "C" referred to in the Affidavit of Bernhard Huber sworn April 20, 2020.

Commissioner for Taking Affidavits (or as may be)

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,

[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 Wein
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.

This is Exhibit "D" referred to in the Affidavit of Bernhard Huber sworn April 20, 2020.

Commissioner for Taking Affidavits (or as may be)

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.

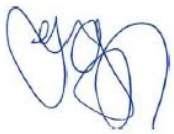
HI-RISE CAPITAL LTD.

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
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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

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sdecaria@millerthomson.com
Tel: 416.595.2652/Fax: 416.595.8695

Court-appointed Representative Counsel

This is Exhibit "E" referred to in the Affidavit of Bernhard Huber sworn April 20, 2020.

Commissioner for Taking Affidavits (or as may be)

FORBEARANCE AGREEMENT

THIS AGREEMENT is made as of this 20th day of December, 2019.

AMONGST:

MERIDIAN CREDIT UNION LIMITED
(hereinafter referred to as the "**Lender**")

-and-

ADELAIDE STREET LOFTS INC.
(hereinafter referred to as the "**Borrower**")

-and-

263 HOLDINGS INC.
(hereinafter referred to as the "**Corporate Guarantor**")

-and-

IOANNIS NEILAS
(hereinafter referred to as "**John**")

-and-

DIMITRIOS NEILAS
(hereinafter referred to as "**Jim**" and, together with the Corporate Guarantor and John, the "**Guarantors**", and the Guarantors, together with the Borrower, the "**Credit Parties**")

RECITALS:

WHEREAS the Borrower is indebted to the Lender with respect to certain credit facilities (the "**Credit Facilities**") made available by the Lender to the Borrower pursuant to and under the terms of a loan agreement dated April 2, 2018 (as may be or have been subsequently amended, replaced, restated or supplemented from time to time, the "**Credit Agreement**");

AND WHEREAS, to secure the obligations of the Borrower to the Lender, including, without limitation, those arising under the Credit Agreement, the Borrower has provided security in favour of the Lender including, without limitation, the security set out in **Schedule "A"** hereto (collectively, the "**Security**");

AND WHEREAS the Guarantors have guaranteed certain obligations of the Borrower pursuant to, amongst other things, guarantee agreements more particularly set out in **Schedule "B"** hereto (collectively, the "**Guarantees**");

AND WHEREAS, Events of Default (as that term is defined in the Credit Agreement) have occurred and continue to occur under the Credit Agreement;

AND WHEREAS, the Lender has made formal demand on the Borrower and the Guarantors for repayment of all amounts owed under the Credit Agreement on June 14, 2019 (the "**Demand**") and also delivered a notice of intention to enforce security under section 244 of the BIA on June 14, 2019 in respect of the Borrower (the "**Notice**");

AND WHEREAS pursuant to the terms of minutes of settlement among the Borrower and others (the "**Minutes of Settlement**"), an agreement of purchase and sale (the "**APS**") among the Borrower and Lanterra Developments Ltd., in Trust ("**Lanterra**"), and other documents, the Borrower has agreed to a transaction (the "**Lanterra Transaction**") pursuant to which Lanterra will purchase the property at 263 Adelaide Street West, Toronto, Ontario (the "**Property**"), which transaction is expected to close on or before May 14, 2020 (the "**Closing Date**") and the proceeds of which shall be used in part to repay in full the indebtedness (the "**Indebtedness**") owing under the Credit Agreement, including principal, interest and amounts which may be or become owing for the Lender's fees, agent costs, professional fees and accrued interest at the rates set out in the Credit Agreement, and the Security, the Guarantees, or any other agreement executed in connection therewith as of the Closing Date (collectively, the "**Financing Agreements**");

NOW THEREFORE in consideration of the respective covenants of the parties hereto as herein contained, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereby agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires, all terms defined in the Credit Agreement and not otherwise defined herein shall have the respective meanings ascribed to them in the Credit Agreement. All monetary amounts referred to in this Agreement shall refer to Canadian currency.

1.2 Gender and Number

Words importing the singular include the plural and vice versa and words importing gender include all genders.

1.3 Severability

Each of the provisions contained in this Agreement is distinct and severable, and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision of this Agreement.

1.4 Headings

The division of this Agreement into articles, sections and clauses, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.5 Entire Agreement

Except for the Financing Agreements and the additional documents provided for herein, this Agreement constitutes the entire agreement of the parties and supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether oral or written, express or implied, relating to the subject matter hereof. This Agreement may not be amended or modified except by written consent executed by all the parties. No provision of this Agreement will be deemed waived by any course of conduct unless such waiver is in writing and signed by all the parties, specifically stating that it is intended to modify this Agreement.

1.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to any conflicts of law or principles of comity.

1.7 Attornment

Each party hereto irrevocably attorns to the exclusive jurisdiction of the Superior Court of Justice (Commercial List) of the Province of Ontario in the City of Toronto for all matters arising out of or in connection with this Agreement.

1.8 Conflicts

If there is any inconsistency or conflict between the terms of this Agreement and the terms of the Financing Agreements, the provisions of this Agreement shall prevail to the extent of the inconsistency, but the foregoing shall not apply to limit or restrict in any way the rights and remedies of the Lender under the Financing Agreements or this Agreement other than as may be specifically contemplated herein.

ARTICLE 2
ACKNOWLEDGEMENT AND CONFIRMATION

2.1 Acknowledgement of Obligations

(a) Each of the Credit Parties hereby acknowledges, confirms and agrees that, as of the close of business on December 5, 2019, the Borrower was indebted to the Lender in the aggregate amount of $17,045,466.82 for principal and interest, exclusive of amounts which may be or become owing for its fees, agent costs, professional fees and accruing interest at the rates set out in the Financing Agreements.

(b) Each of the Credit Parties hereby acknowledges, confirms and agrees that the Indebtedness, together with interest accrued and accruing thereon, and fees, costs, expenses and other charges now or hereafter properly payable by the Borrower to the Lender under the Financing Agreements, is unconditionally owing by the Borrower to the Lender, without any right of setoff, defence, counterclaim or reduction of any kind, nature or description whatsoever, and each of the Credit Parties is estopped from disputing such Indebtedness.

(c) Each of the Credit Parties hereby acknowledges, confirms and agrees that the Borrower will continue to accept statements of the Indebtedness issued by the Lender to be accurate statements of the amount and the particulars of the Indebtedness as of the date of the statement, absent manifest error.

2.2 Acknowledgement of Security Interests and Guarantees

(a) Each of the Credit Parties hereby acknowledges, confirms and agrees that the Security has not been discharged, waived or varied, that it is binding upon the Credit Parties, as applicable, is enforceable in accordance with its written terms until the obligations of the Borrower to the Lender have been indefeasibly paid and satisfied in full.

(b) The Guarantors hereby acknowledge, confirm and agree that the Guarantees are and shall continue to be in full force and effect and are valid, binding and enforceable upon the Guarantors until the obligations of the Borrower to the Lender have been indefeasibly paid and satisfied in full, and that neither the execution of this Agreement nor any change to the Indebtedness occasioned hereby, or any other matter arising herefrom, shall in any way affect the continuing effectiveness and validity of the Guarantees.

2.3 Acknowledgement Regarding Demands

Each of the Credit Parties hereby acknowledges and confirms receipt of the Demand and Notice and each of the Credit Parties is hereby estopped from disputing the validity or legality of same.

Each of the Credit Parties hereby acknowledges, confirms and agrees that, as of the date hereof, the Lender has made no promises and has not waived, and does not intend to waive any defaults, if any, under the Credit Agreement, and nothing contained herein or the transactions contemplated hereby shall be deemed to constitute any such waiver except as provided in this Agreement.

Each of the Credit Parties hereby acknowledges the outstanding defaults under the Financing Agreements, including:

(a) the failure to repay the amount of the loan, being $16,414,000 in principal, plus all applicable interest, costs and other obligations owing thereunder as of the February 28, 2019, and

(b) subject to the terms of the Intercreditor Agreement (defined below), the failure to pay, or cause to be paid, the property taxes that have arisen in respect of the property at 263 Adelaide Street West, Toronto, Ontario (the "**Property**") and the failure to pay interest installments due therefor.

2.4 Additional Acknowledgements

Each of the Credit Parties hereby acknowledges, confirms and agrees that:

(a) the facts set out in the recitals to this Agreement are true and accurate;

(b) except as hereby amended, the Financing Agreements will remain in full force and effect, unamended, except as provided for herein;

(c) except as provided for in this Agreement, the Lender (either by itself or through its employees or agents) has made no promises, nor has it taken any action or omitted to take any action, that would constitute a waiver of its rights to enforce the Security and Guarantees and pursue its remedies in respect of the obligations of the Credit Parties to the Lender, or that would stop it from doing so; and

(d) to the date hereof, the Lender has acted in good faith and a commercially reasonable manner and each of the Credit Parties is estopped from disputing same.

ARTICLE 3
CONDITIONS

3.1 Conditions Precedent: Credit Parties

The Lender's obligation to forbear from exercising its rights under this Agreement and the Financing Agreements shall not be effective unless and until the Lender shall have received the following from the Borrower or Guarantors;

(a) receipt by the Lender of the Interim Payment (as that term is defined below);

(b) a copy of this Agreement, fully executed by each of the Credit Parties; and

(c) the Credit Parties shall enter into a mortgage amending agreement to increase the security on title to $17,250,000.

3.2 Conditions Precedent: Others

The Lender's obligation to forbear from exercising its rights under this Agreement and the Financing Agreements shall not be effective unless and until:

(a) the Lender shall have received an executed copy of the APS between 263 Holdings Inc. and Lanterra; and

(b) Lanterra shall have entered, or shall concurrently enter, into an intercreditor agreement (the "**Intercreditor Agreement**") with the Lender on terms which are acceptable to each of the parties thereto, each acting reasonably.

ARTICLE 4
FORBEARANCE CONDITIONS

4.1 Forbearance

In reliance upon the acknowledgements, representations, warranties and covenants of the Credit Parties contained in this Agreement and subject to the terms and conditions of this Agreement, and any documents executed in connection herewith, the Lender agrees, subject to the terms hereof, to forbear from exercising its rights and remedies under the Credit Agreement, the Security, the Guarantees, the *Personal Property Security Act* (Ontario) and other applicable law and will continue to make the credit facilities set out under the Credit Agreement available to the Borrower in accordance with the Credit Agreement, until the earlier of:

(a) May 19, 2020; and

(b) the occurrence of an Intervening Event (as hereinafter defined and pursuant to section **Intervening Events** of this Agreement) which results in the Lender terminating this Agreement (the "**Forbearance Period**").

4.2 Expiration or Termination of the Forbearance Period

Unless extended in writing, upon the expiration or termination of the Forbearance Period, the agreement of the Lender to forbear shall automatically and without further action terminate and be of no further force and effect, it being expressly agreed that the effect of such expiration or termination will be to permit the Lender to exercise its rights and remedies, including, without limitation, private remedies available pursuant to the Security, the Guarantees, the right to the appointment of a receiver and the right to apply to the Court for any other remedies available to the Lender or to seek the appointment of any permanent or interim receiver or receiver and manager or any trustee in bankruptcy of the Borrower or any of the Guarantors. Further, upon the expiration or termination of the Forbearance Period, the Lender will have the right to schedule a new hearing of the application styled *Meridian Credit Union Limited v. Adelaide Street Lofts Inc.*, Court File No. CV-19-00628145-00CL (which application was adjourned on December 20, 2019) on at least four days' notice to all parties on the service list, and the Credit Parties agree that if such a hearing is scheduled they will not seek an adjournment of the hearing.

4.3 Tolling

(a) As of the date hereof and continuing until the termination of the Forbearance Period and thereafter until the termination of the tolling arrangements in the manner provided for at subparagraph The tolling provisions of the Agreement shall terminate upon any party hereto providing the others with 60 days written notice of an intention to terminate the tolling provisions hereof, and upon the expiry of such 60 day notice, any time provided for under the statute of limitations, laches or any other doctrine related to the passage of time in relation to the Indebtedness, the

Security, the Guarantees or any claims arising thereunder will recommence running as of such date, and for greater certainty the time during which the parties agree to the suspension of the limitation period pursuant to the tolling provisions of the Agreement shall not be included in the computation of any limitation period. herein (and notwithstanding demand for payment or BIA notices delivered by the Lender), each of the Credit Parties hereby agrees to toll and suspend the running of the applicable statutes of limitations, laches or other doctrines related to the passage of time in relation to the Indebtedness, the Security, the Guarantees and any entitlements arising from the Indebtedness, the Security, the Guarantees and any other related matters, and each of the Credit Parties confirms that such agreement is intended to be an agreement to suspend or extend the basic limitation period, provided by section 4 of the *Limitations Act, 2002* (Ontario) (the "**LA**") as well as the ultimate limitation period provided by section 15 of the LA in accordance with the provisions of subsection 22(2) of the LA and as a business agreement in accordance with the provisions of subsection 22(5) of the LA and any contractual time limitations on the commencement of proceedings, any claims or defences based upon such application of statute of limitations, contractual limitations or any time-related doctrine including waiver, estoppel or laches.

(b) The tolling provisions of the Agreement shall terminate upon any party hereto providing the others with 60 days written notice of an intention to terminate the tolling provisions hereof, and upon the expiry of such 60 day notice, any time provided for under the statute of limitations, laches or any other doctrine related to the passage of time in relation to the Indebtedness, the Security, the Guarantees or any claims arising thereunder will recommence running as of such date, and for greater certainty the time during which the parties agree to the suspension of the limitation period pursuant to the tolling provisions of the Agreement shall not be included in the computation of any limitation period.

4.4 No Other Waivers; Reservation of Rights

Subject to Section **Forbearance** of this Agreement, (i) the Lender reserves the right, in its sole and absolute discretion, to exercise any or all of its rights or remedies under any one or more of the Financing Agreements, the PPSA or other applicable law, and (ii) the Lender has not waived any such rights or remedies, and nothing in this Agreement and no delay on the part of the Lender in exercising any such rights or remedies shall be construed as a waiver of any such rights or remedies.

ARTICLE 5
OBLIGATIONS OF THE CREDIT PARTIES DURING THE FORBEARANCE PERIOD

5.1 Credit Agreement

During the Forbearance Period, each of the Credit Parties shall adhere to all the terms, conditions and covenants of the Credit Agreement, this Agreement and the other Financing Agreements, including, without limitation, terms requiring prompt payment of principal, interest,

fees and other amounts when due, except to the extent that such terms, conditions and covenants are otherwise specifically amended by this Agreement.

5.2 Interest on Credit Facilities

The Credit Parties acknowledge and agree that the interest on the Indebtedness shall be at the rate of Prime plus 2%.

5.3 Full Co-Operation

During the Forbearance Period, the Credit Parties shall cooperate fully with the Lender, including, without limitation, by providing promptly all requested information, and by providing the Lender, and its respective agents full access to the books, records, property, assets and personnel of the Credit Parties wherever they may be situated and in whatever medium they may be recorded, at the request of and at times convenient to any such party, acting reasonably, which right of access shall include the right to inspect and appraise such property and assets.

5.4 Interim Payment

It is a condition of the within forbearance that on or before December 19, 2019, there shall have been paid to the Lender the sum of $1,556,000 on such terms as are contained in the Intercreditor Agreement and the Minutes of Settlement (the "**Interim Payment**"), which payment will be made by Lanterra on behalf of Adelaide pursuant to minutes of settlement dated December 20, 2019 as partial repayment of the Indebtedness. A portion of the Interim Payment shall be placed in a reserve account established by the Lender, and shall be used to make interest and other payments under the Credit Agreement for the period up to the repayment of the Indebtedness.

5.5 Payment and Other Obligations

Each of the Credit Parties hereby covenants and agrees with the Lender to reimburse the Lender for all reasonable expenses, including, without limitation, reasonable legal and other professional expenses that the Lender has incurred or will incur arising out of its dealings with any of the Credit Parties and in the protection, preservation and enforcement of the Security and/or the Guarantees, including, without limitation, the reasonable fees and expenses of the Lender's solicitors, Aird & Berlis LLP (collectively, the "**Professional Expenses**"), and that the Professional Expenses shall be for the account of the Borrower and that payment may be made by the Lender for later repayment by the Borrower or debit the account of the Borrower held at the Lender. Nothing in this Agreement shall derogate from the Credit Parties' obligation to pay for all the reasonable Professional Expenses or shall constitute a cap on Professional Expenses. All Professional Fees will be charged at the ordinary rate which the professional otherwise charges the Lender in accordance with such arrangements with respect to fees as are otherwise in place between such parties and the Lender.

5.6 Additional Covenants

(a) For the duration of the Forbearance Period, the Credit Parties hereby covenant and agree with the Lender as follows:

(i) the Borrower shall maintain its corporate existence as a valid and subsisting entity and shall not merge, amalgamate or consolidate with any other corporation(s), except with the Lender's prior written consent;

(ii) except as specifically provided for herein, each of the Credit Parties shall comply in all respects with all terms and provisions of the Financing Agreements and this Agreement and nothing herein derogates therefrom. For greater certainty, except as provided for herein, the Borrower shall continue to remit all payments when due under the Financing Agreements and shall operate all facilities within the terms and the limits prescribed therein, except as amended by this Agreement;

(iii) the Borrower shall comply with any and all cash management obligations and obligations to maintain insurance in accordance with the Financing Agreements;

(iv) the Borrower shall be responsible for paying the fees and out of pocket expenses of the Lender, the amount of which will be added to the Indebtedness;

(v) the Credit Parties hereby agree to indefeasibly repay the Indebtedness in full on or before the expiry of the Forbearance Period;

(vi) the Borrower shall not, without the prior written consent of the Lender, make any distribution or payment to any person, corporation or other entity who does not deal with the Borrower at arm's length (as such term is defined in the *Income Tax Act* (Canada)), nor pay or agree to pay any management, directors', consulting or similar fee, dividend, bonus payment, loan to employees or comparable payment by way of gift or other gratuity, to any subsidiary or affiliate of any Credit Party or any partner, director or officer thereof other than on account of salary in the ordinary course of business consistent with past practice that will not cause an Event of Default or Intervening Event;

(vii) the Borrower shall not, without the prior written consent of the Lender, make any loans or advance money or property to any other party or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the shares or indebtedness or all or a substantial part of the assets or property of any other party (including, without limitation, any subsidiary or affiliate of the Borrower), or guarantee, assume, endorse, or otherwise become responsible (directly or indirectly) for the indebtedness, performance, obligations or dividends of any other party or agree to do any of the foregoing, other than as required by the Financing Agreements;

(viii) the Credit Parties shall not encumber, mortgage, hypothec, pledge or otherwise cause any form of lien or charge on any of their property or assets, including intangible and contingent assets, without the prior written consent

of the Lender, other than as contemplated in the APS and subordination agreement between Lanterra and all individuals and/or entities ("**Investors**") that hold an interest in a syndicated mortgage, administered by Hi-Rise Capital in respect of the proposed development known as the "Adelaide Street Lofts" at the Property;

(ix) the Borrower shall not, without the prior written consent of the Lender, repay any principal or interest which may be owing or become owing in connection with any shareholder or related party loan;

(x) the Credit Parties shall not, without the prior written consent of the Lender, make any distribution (whether by dividend or otherwise) or effect any return of capital on any investment made by any shareholder, or any party related to any shareholder;

(xi) the Borrower shall not, in any case, make any payment to or on behalf of any related party if the financial position of the Borrower after making such payment would put the Borrower in a position of breach the loan covenants or default of its obligations under this Agreement or constitute an Intervening Event;

(xii) each of the Credit Parties shall give to the Lender immediate notice of any Intervening Event, litigation, arbitration or administrative proceeding before or of any court, arbitration, tribunal or governmental authority affecting any of the assets, property or undertakings of any of the Credit Parties; and

(xiii) unless otherwise agreed to herein, the Credit Parties shall not do any act or thing which may have the effect of defeating or delaying the enforcement of the Lender's rights and remedies under the Security and Guarantees, as applicable.

(b) Each of the Credit Parties represents and warrants to the Lender that all the Credit Parties' obligations with respect to employee wages and vacation pay are current as of the date of this Agreement and shall remain current throughout the Forbearance Period.

ARTICLE 6
INTERVENING EVENTS

6.1 Intervening Events

Upon the happening of any one of the following events (each an "**Intervening Event**"), the Forbearance Period shall, at the option of the Lender, terminate:

(a) the Investors' vote is cancelled, extended, or otherwise does not occur on or before January 13, 2020;

(b) the result of the Investors' vote is that the Investors do not pass a resolution approving the Lanterra Transaction by the margins contemplated in the Minutes of Settlement;

(c) the Lender is not paid the Interim Payment by December 19, 2019;

(d) the Lanterra Transaction does not close by May 20, 2020;

(e) the Lender is not repaid the Indebtedness in full by May 22, 2020;

(f) the Borrower is in breach of any of the terms of the Minutes of Settlement and has failed to cure such breach within five business days after notice from Meridian to cure such;

(g) the APS is amended or terminated, or Lanterra, the Borrower, or both parties advise the Lender that one or more of Lanterra or the Borrower is terminating or otherwise intends to not fulfill the terms of the APS or otherwise conclude the Lanterra Transaction by May 20, 2020;

(h) any representation, warranty or statement made by any of the Borrower or Guarantors in this Agreement or any other agreement with the Lender was untrue or incorrect when made or becomes untrue or incorrect, other than those material representations, warranties or statements made by the Borrower or Guarantors which are untrue or incorrect and of which the Lender is aware of at the time of execution of this Agreement;

(i) any of the Borrower or Guarantors fail to perform or comply with any of their covenants or obligations contained in this Agreement, any of the Financing Agreements or in any other agreement or undertaking with the Lender, other than the covenants, obligations or undertakings with which the Borrower or Guarantors have already failed to perform or comply at the time of execution of this Agreement;

(j) an order is made in respect of the application styled "*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.*", Court File No. CV-19-616261-00CL to which the Lender opposes on the basis that the order prejudices the Lender's rights, including under this Forbearance Agreement;

(k) save as set forth herein, the Borrower or Guarantors default in the performance of any obligation under any of the Financing Agreements or the Guarantees after the date hereof;

(l) the occurrence of any other event which may materially and adversely impact the priority or enforceability of the Security or Guarantees granted by the Borrower or Guarantors, as applicable, or the realizable value of the collateral subject to such security;

(m) the Security or Guarantees cease to constitute first-ranking, valid and perfected security interest against all assets of the Borrower or Guarantors, as applicable;

(n) the loss, damage, destruction or confiscation of any of the Borrower or Guarantors' property or assets or any part thereof which, in the Lender's opinion, may result in the Lender being insufficiently secured under the Financing Agreements or otherwise;

(o) any person takes possession of any property of any of the Borrower by way of or in contemplation of enforcement of security, or a distress or execution or similar process levied or enforced against any property of either of the Borrower or Guarantors;

(p) any change of ownership, control or management of either of the Borrower or Guarantors, without the Lender's prior written consent;

(q) any of the Borrower or Guarantors fail to maintain current insurance or other material contracts;

(r) without the Lender's prior written consent, the Borrower or Guarantors commit or threaten to commit an act of bankruptcy;

(s) without the prior written consent of the Lender, the Borrower or Guarantors take any action or commence any proceeding or any action or proceeding is taken or commenced by another person or persons against the Borrower or Guarantors, which the Borrower or the Guarantors are not contesting, relating to the reorganization, readjustment, compromise or settlement of the debts owed by the Borrower or Guarantors to their respective creditors where such reorganization, readjustment, compromise or settlement shall affect a substantial portion of any of the Borrower or Guarantors' assets or property, including, without limitation, the filing of a Notice of Intention to Make a Proposal under the BIA, the making of an order under the *Companies' Creditors Arrangement Act* (Canada) or the commencement of any similar action or proceeding by any party other than the Lender (as applicable);

(t) the filing of an application for a receiver or bankruptcy order against the Borrower or Guarantors pursuant to the provisions of the BIA or any similar legislation by any party other than the Lender;

(u) the Borrower or Guarantors fail to meet their respective payroll obligations or do not have sufficient funds available to fund its payroll obligations, or fail to produce evidence, satisfactory to the Lender, acting reasonably, of the availability of such funds to the Lender within one business day prior to the date that any payroll falls due;

(v) the expiration or termination of the Forbearance Period, unless extended by the agreement of the parties.

ARTICLE 7
FORBEARANCE FEES

7.1 Forbearance Fee

In consideration of the Lender entering into this Agreement, the Lender shall receive from Lanterra the following payment, which payment will form part of the Interim Payment

(a) an extension fee of $85,200.00 to which the Credit Parties agree the Lender is contractually entitled and which has been ordered to be paid by order dated September 17, 2019 in the Trustee Proceeding; and

(b) a fee of $115,000 (together, the "**Forbearance Fee**").

The Forbearance Fee is in addition to all other fees, interest, costs and expenses payable in connection with the Financing Agreements or this Agreement.

ARTICLE 8
GENERAL PROVISIONS

8.1 Effect of this Agreement

Except as modified pursuant hereto, no other changes or modifications to the terms of the Financing Agreements are intended or implied and in all other respects, the terms of the Financing Agreements are confirmed.

8.2 Further Assurances

The parties hereto shall execute and deliver such supplemental documents and take such supplemental action as may be necessary or desirable to give effect to the provisions and purposes of this Agreement, all at the sole expense of the Credit Parties.

8.3 Binding Effect

This Agreement shall be binding upon and enure to the benefit of each of the parties hereto and its respective successors and permitted assigns.

8.4 Survival of Representations and Warranties

All representations and warranties made in this Agreement or any other document furnished in connection herewith shall survive the execution and delivery of this Agreement and such other document delivered in connection herewith, and no investigation by the Lender or any closing shall affect the representations and warranties or the rights of the Lender to rely upon such representations and warranties.

8.5 Confidentiality

The Lender and its professional advisors shall be at liberty, in their sole discretion, to disclose any information obtained from the Credit Parties to any party or parties in order to recover amounts owed to the Lender by the Credit Parties.

8.6 Release

In consideration of the agreements of the Lender contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Credit Parties, on their behalf and on behalf of their successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably release, remise and forever discharge the Lender and each of its successors and assigns, participants, affiliates, subsidiaries, branches, divisions, predecessors, directors, officers, attorneys, employees, lenders and other representatives and advisors (the Lender and all such other persons being hereinafter referred to collectively as the "**Releasees**" and individually as a "**Releasee**"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defences, rights of set-off, demands and liabilities whatsoever (individually, a "**Claim**" and collectively, "**Claims**") of every name and nature, known or unknown, suspected or unsuspected, both arising at law and in equity, which any of the Credit Parties or any of their successors, assigns or other legal representatives may now own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Agreement, including, without limitation, for or on account of, or in relation to, or in any way in connection with, any of the Financing Agreements or transactions thereunder or related thereto.

8.7 No Novation

This Agreement will not discharge or constitute novation of any debt, obligation, covenant or agreement contained in the Credit Agreement or any of the Financing Agreements but the same shall remain in full force and effect save to the extent amended by this Agreement.

8.8 Notice

Without prejudice to any other method of giving notice, any notice required or permitted to be given to a party pursuant to this Agreement will be conclusively deemed to have been received by such party on the day of the sending of the notice by prepaid private courier to such party at its, his or her address noted below or by email at its, his or her email address noted below. Any party may change its, his or her address for service or address by notice given in the foregoing manner.

Notice to the Borrower and the Corporate Guarantor shall be sent to:

McCarthy Tétrault LLP
66 Wellington Street West, Suite 5300
Toronto, ON M5K 1E6

Attention: Geoff R. Hall
Email: ghall@mccarthy.ca

Notice to John shall be sent to:

Dimitrios Neilas
386 Bedford Park Avenue
Toronto ON M5M 1J8

Notice to Jim

Ioannis Neilas
55 McGillivrary Avenue
North York ON M5M 2Y3

Notice to the Lender shall be sent to:

Meridian Credit Union Limited
75 Corporate Park Drive
St. Catharines, Ontario
L2S 3W3

Attention: Bernie Huber, Senior Commercial Credit Specialist
Email: bernie.huber@meridiancu.ca

with a copy to:

Aird & Berlis LLP
Barristers and Solicitors
Brookfield Place
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

Attention: Steven Graff and Kathryn Esaw
Email: sgradff@airdberlis.com, kesaw@airdberlis.com

8.9 Binding and Enforceable Agreement

In order for this Agreement to be binding and enforceable, it shall be signed by each of the Credit Parties by no later than 5:00 p.m. (Toronto time) on December 20, 2019.

8.10 Execution in Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed to be an original and which taken together will be deemed to constitute one and the same instrument. Counterparts may be executed either in original, faxed or portable document format ("**PDF**") form

and the parties adopt any signatures received by a receiving fax machine or by emailed PDF as original signatures of the parties, provided, however, that any party providing its signature in such manner will promptly forward to the other party an original of the signed copy of the Agreement which was so faxed or emailed.

8.11 No Set Off, etc.

Each of the Credit Parties reaffirms that the Financing Agreements remain in full force and effect as amended hereby and acknowledges and agrees that there is no defence, set off or counterclaim of any kind, nature or description to its obligations arising under the Financing Agreements as a result of the execution of this Agreement or otherwise.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date first above mentioned.

MERIDIAN CREDIT UNION LIMITED

By: _____
Name:
Authorized Signatory

ADELAIDE STREET LOFTS INC.

By: _____
Name:
Authorized Signatory

263 HOLDINGS INC.

By: _____
Name:
Authorized Signatory

WITNESS:

_____
Name:

_____
Ioannis Neilas

WITNESS:

_____
Name:

_____
Dimitrios Neilas

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the date first above mentioned.

MERIDIAN CREDIT UNION LIMITED

By: _____
Name:
Authorized Signatory

ADELAIDE STREET LOFTS INC.

By: _____
Name:
Authorized Signatory

263 HOLDINGS INC.

By: _____
Name:
Authorized Signatory

WITNESS:

_____
Name: Goff R. Hall

_____
Ioannis Neilas

WITNESS:

_____
Name: Goff R. Hall

_____
Dimitrios Neilas

SCHEDULE "A"
Security

2. Credit Agreement between the Borrower and the Lender dated May 2, 2018

3. General Security Agreement granted by the Borrower in favour of the Lender dated May 14, 2018

4. Charge/Mortgage granted by the Borrower registered on May 14, 2018 as instrument no. AT4862974 in the Land Titles Office for the Registry Division of Toronto with respect to the lands municipally known as 263 Adelaide Street West, Toronto

5. Notice of Assignment of Rents – General, granted by the Borrower, registered on May 14, 2018 as instrument no. AT4862975 in the Land Titles Office for the Registry Division of Toronto with respect to the lands municipally known as 263 Adelaide Street West, Toronto

SCHEDULE "B"
Guarantees

6. Guarantee and Postponement of Claim by Neilas Inc. (now known as 263 Holdings Inc.) dated May 14, 2018

7. Guarantee and Postponement of Claim by Dimitrios (Jim) Neilas and Ioannis Neilas dated May 14, 2018

AMENDMENT TO FORBEARANCE AGREEMENT

THIS FIRST AMENDMENT TO FORBEARANCE AND ACCOMMODATION AGREEMENT (this "**Amendment**") is made as of this 13th day of January, 2020.

A M O N G S T:

MERIDIAN CREDIT UNION LIMITED
(hereinafter referred to as the "Lender")

-and-

ADELAIDE STREET LOFTS INC.
(hereinafter referred to as the "Borrower")

-and-

263 HOLDINGS INC.
(hereinafter referred to as the "Corporate Guarantor")

-and-

IOANNIS NEILAS
(hereinafter referred to as "John")

-and-

DIMITRIOS NEILAS
(hereinafter referred to as "Jim" and, together with the Corporate Guarantor and John, the "Guarantors", and the Guarantors, together with the Borrower, the "Credit Parties")

WHEREAS:

A. The Lender and the Credit Parties entered into a Forbearance Agreement dated as of December 18th, 2019 (the "**Forbearance Agreement**"), pursuant to which the Lender agreed to forbear from exercising its rights and remedies thereunder despite certain events of default having occurred under the Credit Agreement, none of which were waived, and the Lender reserved all of its rights and remedies under the Financing Agreements;

B. An Intervening Event has occurred, being that the Investors' vote did not occur on or before January 13, 2020;

C. The Credit Parties have requested and the Lender has agreed to continue to forbear from taking certain actions under the Forbearance Agreement, the Credit Agreement and the Financing Agreements, subject to the terms and conditions hereof.

NOW THEREFORE in consideration of the respective covenants of the parties hereto as herein contained, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereby agree as follows:

1. Definitions

In this Amendment, all capitalized terms used herein (including in the preamble and the recitals to this Amendment) but not defined shall have the meanings given to such terms in the Forbearance Agreement.

2. Amendments to Forbearance Agreement

The Forbearance Agreement is hereby amended as follows:

6.1 (a) the Investors' vote is cancelled, extended, or otherwise does not occur on or before January 31, 2020;

3. No Other Intervening Events

The Credit Parties confirm that no other Intervening Events have occurred or are occurring as of the date of this First Amendment to the Forbearance Agreement.

4. No Other Changes.

Except as explicitly amended by this Amendment, all of the terms and conditions of the Forbearance Agreement shall remain in full force and effect, unamended hereby. The Credit Parties acknowledge and agree that they shall adhere to all of the covenants under the Forbearance Agreement, other than those explicitly modified hereunder.

5. Conditions Precedent

This Amendment shall be effective when the Lender has received an executed copy of this Amendment.

6. References

All references in the Forbearance Agreement to "this Agreement" shall be deemed to refer to the Forbearance Agreement, as amended hereby.

7. Costs and Expenses

The Credit Parties hereby reaffirm their agreement under the Forbearance Agreement to pay or reimburse the Lender for all costs and expenses incurred by the Lender in connection with Forbearance Agreement, this Amendment or any documents, instruments or other agreements required in connection therewith, including, without limitation, all reasonable fees and disbursements of legal counsel, including those involved in the preparation and negotiation of this Amendment.

8. Miscellaneous

This Amendment may be executed in any number of counterparts and delivered by PDF or other electronic method, each of which when so executed and delivered shall be deemed an original and all of which counterparts, taken together, shall constitute one and the same agreement.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have entered into this Amendment as of the date first above mentioned.

MERIDIAN CREDIT UNION LIMITED

By: _____
Name: Bernie Huber
Senior Commercial Credit Specialist
Authorized Signatory

ADELAIDE STREET LOFTS INC.

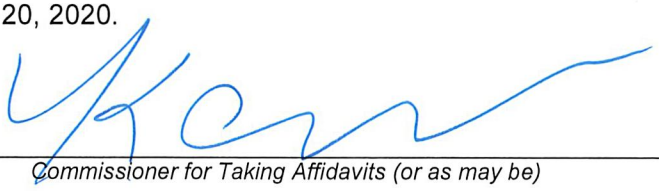
By: _____
Name:
Authorized Signatory

263 HOLDINGS INC.

By: _____
Name:
Authorized Signatory

38522461.1

This is Exhibit "F" referred to in the Affidavit of Bernhard Huber sworn April 20, 2020.



Commissioner for Taking Affidavits (or as may be)

SUBORDINATION AND STANDSTILL AGREEMENT

THIS AGREEMENT made as of the 23rd day of December, 2019,

AMONG:

MERIDIAN CREDIT UNION LIMITED
(hereinafter referred to as the "**Senior Lender**")

- and -

LANTERRA DEVELOPMENTS LTD.
(hereinafter referred to as the "**Subordinate Lender**")

- and -

ADELAIDE STREET LOFTS INC.
(hereinafter referred to as the "**Borrower**")

WHEREAS the Borrower is the registered owner of the lands described in Schedule "A" hereto (the "**Lands**");

AND WHEREAS pursuant to a loan agreement made as of April 2, 2018 (as may be or have been subsequently amended, replaced, restated or supplemented from time to time) among, *inter alios*, the Borrower and the Senior Lender (the "**Credit Agreement**"), the Senior Lender made provision for a credit facility in favour of the Borrower (the "**Senior Debt**"), pursuant to which the principal amount of $16,414,000 (exclusive of amounts which may be or become owing for its fees, agent costs, professional fees and accruing interest) is outstanding as of the date hereof (including amounts paid to the Senior Lender by the Subordinate Lender on behalf of the Borrower on account of the partial repayment of the Senior Debt), secured by, *inter* alia, a first-ranking charge registered against the Lands granted by the Borrower (collectively with the Credit Agreement, any other security granted by the Borrower in connection with the Senior Debt and all amendments thereto and any forbearance agreement in respect thereof, the "**Senior Security**");

AND WHEREAS the Borrower granted a second-ranking $1,556,000 charge of the Lands in favour of the Subordinate Lender (the "**Subordinate Mortgage**") to secure a debt (the "**Subordinate Debt**") owing to the Subordinate Lender on account of the funding by the Subordinate Lender of an equivalent payment by the Borrower to the Senior Lender (the Subordinate Mortgage and any other security granted by the Borrower in connection with the Subordinate Debt or the Subordinate Mortgage, the "**Subordinate Security**");

AND WHEREAS in order to ensure that the relative priorities as between the Senior Security and the Subordinate Security are clearly established, the parties have entered into this Agreement;

NOW THEREFORE WITNESSETH that in consideration of the covenants hereinafter contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto hereby agree each with the others as follows:

1. CONSENT

The Senior Lender hereby consents to the existence of the Subordinate Debt and confirms that its existence shall not constitute a default under any documentation between the Borrower, any

of its affiliates and the Senior Lender, including by any documentation delivered under or in connection with the Senior Security. The Subordinate Lender hereby consents to the existence of the Senior Debt and confirms that its existence shall not constitute a default under any documentation between the Borrower, any of its affiliates and the Subordinate Lender, including by any documentation delivered under or in connection with the Subordinate Security.

2. SUBORDINATION AND POSTPONEMENT

(a) The Subordinate Lender agrees with, and declares to, the Senior Lender that the Subordinate Security shall be and is hereby expressly, irrevocably and unconditionally postponed and subordinated to and in favour of the Senior Security and the Senior Obligations (as defined below) so that irrespective of the actual order of execution, delivery, registration, filing or crystallization in relation to each other, the Subordinate Security shall be an encumbrance upon the property, assets and undertaking of the Borrower in the same manner and to the same extent as if it had been executed, delivered, registered and/or filed for the purpose of perfecting the security represented thereby and/or crystallized after the Senior Security. The Subordinate Lender agrees with, and declares to, the Senior Lender that the respective priorities of the Subordinate Security and the Senior Security and Senior Obligations set out in this section and all other rights established, altered or specified in this Agreement are applicable irrespective of the time or order of creation, execution, delivery, attachment or perfection thereof, the method of perfection, the time or order of registration or filing of financing statements or recording of mortgages or other instruments, assignments or agreements, the giving of or failure to give notice of the acquiring of any charge, lien or security interest or other encumbrance or the date or dates of any loan or any advance or advances by any of the parties hereto, the date or dates of any default by the Borrower or of any other party under the Subordinate Security or the Senior Obligations or the Senior Security or any other indebtedness related thereto or the date of crystallization of any floating charge referred to therein, or the date of the taking of enforcement proceedings including possession with respect to such Senior Security. Without limiting the foregoing, the Subordinate Lender hereby expressly, irrevocably and unconditionally postpones and subordinates the Subordinate Security to the Senior Security, with the intent that the Senior Security shall have full and absolute priority over the Subordinate Security, and the Subordinate Security shall in all respects and for all purposes be subordinated and postponed and rank junior to the Senior Security.

(b) The Subordinate Lender agrees with and declares to the Senior Lender that, so long as any amount is outstanding under the Credit Agreement to the Senior Lender, payment of any and all amounts outstanding under the Subordinate Debt and all rights and remedies under the Subordinate Debt, the Subordinate Security or any security granted to the Subordinate Lender in connection with the Subordinate Debt shall be postponed to and shall rank subsequent and subordinate in all respects to the Senior Debt and to any and all amounts or obligations owed by the Borrower under or in relation to the Credit Agreement (collectively, the "**Senior Obligations**") and the Senior Security.

(c) The Subordinate Lender agrees with the Senior Lender that it will not challenge or contest the validity, quantum, terms, legality, perfection, priority or enforceability of the Credit Agreement, the Senior Obligations or the Senior Security, or any claim, proof of claim or other process, legal proceeding or claims process to determine,

establish or confirm the Senior Lender's entitlement under the Credit Agreement, or the Senior Security and/or Senior Obligations.

(d) Whether before or after the occurrence of any event which under the Credit Agreement entitles the Senior Lender to exercise any remedies under the Credit Agreement or Senior Security or any existing forbearance agreement (each an "**Event of Default**"), the Borrower shall not make any payments in respect of the Subordinate Debt or pursuant to the Subordinate Security. If, prior to the indefeasible payment in full of the Senior Obligations, the Subordinate Lender or any person on its behalf shall receive any payment from (including by way of offset), or distribution of assets of, the Borrower, which the Subordinate Lender is not entitled to receive and retain in accordance with the provisions of this Agreement, then the Subordinate Lender shall, and shall cause such other person to, receive and hold such payment or distribution in trust for the benefit of the Senior Lender and promptly pay the same over or deliver to the Senior Lender in precisely the form received by the Subordinate Lender or such other person on its behalf as the Senior Lender shall direct (except for any necessary endorsement or assignment) and such payment or distribution shall be applied by the Senior Lender, to the repayment of the Senior Obligations.

3. SUBORDINATE LENDER DEBT ENFORCEMENT

The Subordinate Lender agrees that from and after the date hereof, to and until the earlier of:

(a) the date of repayment and/or satisfaction of the Senior Obligations in full, as determined by the Senior Lender in its sole, absolute and unfettered discretion;

(b) the ninetieth (90^{th}) day next following the date upon which the Senior Lender delivers written notice to the Borrower of a breach under any existing forbearance agreement

(the "**Standstill Period**"), the Subordinate Lender shall not, except with the prior written consent of the the Senior Lender in its sole, absolute and unfettered discretion:

(i) accelerate any of the Subordinate Debt or otherwise declare any of the Subordinate Debt due and payable prior to maturity;

(ii) seek repayment of the Subordinate Debt by attachment, set off, execution or otherwise;

(iii) enforce the Subordinate Security by sale, possession, foreclosure, appointment of a Receiver appointed by the Subordinate Lender or a court at the request or application of the Subordinate Lender for the purposes of enforcing the Subordinate Security, as the case may be, or realizing on any property and assets of the Borrower subject thereto or otherwise;

(iv) except for the filing of a proof of claim or otherwise participating in proceedings that have been initiated by another creditor of the Borrower, (A) commence any case, proceeding or other action under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, arrangement or relief of debtors against or in respect of the Borrower, (B) institute proceedings to have the Borrower adjudicated a bankrupt or insolvent,

(C) consent to, or acquiesce in, the commencement of bankruptcy, insolvency, restructuring or winding up proceedings against the Borrower, (D) file a petition or application or consent to the filing of same seeking reorganization, arrangement, adjustment, winding-up, dissolution, composition, liquidation or other relief by or on behalf of the Borrower, or (E) take any action in furtherance of any of the foregoing (any of the foregoing actions, an "**Insolvency Proceeding**"); or

(v) bring or support any other legal proceedings against the Borrower in respect of the Subordinate Debt, the Subordinate Security or any security granted to the Subordinate Senior Lender in connection with the Subordinate Security (other than proceedings solely for injunctive relief to restrain any actual or prospective breach of the Subordinate Security or for specific performance not claiming damages).

4. INSOLVENCY

(a) Except as otherwise expressly provided pursuant to this Agreement, in the event of any Insolvency Proceeding, the Senior Obligations shall be indefeasibly repaid in full before (i) the Subordinate Lender exercises any rights or remedies, commences any Insolvency Proceedings or takes any action whatsoever against the Borrower or any property of the Borrower (other than accelerating the maturity of the Subordinate Debt and filing a proof of claim against the Borrower on account of the Subordinate Debt solely for the purpose of establishing the Subordinate Lender's entitlement to payment of the Subordinate Debt), and (ii) any payment or distribution of any character, whether in cash, securities or other property shall be made, received or accepted for (including by way of credit bid, set-off or through acquisition by the Borrower of the Subordinate Debt) or on account of all or any part of the Subordinate Debt. Except as otherwise expressly provided pursuant to this Agreement, any payment or distribution in any Insolvency Proceeding of any kind or character, whether in cash, securities or other property which would otherwise, but for this Agreement, be payable or deliverable to the Subordinate Lender in respect of the Subordinate Debt (including by way of credit bid, set-off or through acquisition by the Borrower or any of its subsidiaries of all or any part of the Subordinate Debt), shall be paid or delivered by the person making such distribution or payment, whether by a Receiver, assignee for the benefit of creditors, or otherwise, directly to the Senior Lender to the extent necessary to pay in full the Senior Obligations then remaining unpaid (including interest accruing after the commencement of such Insolvency Proceeding at the rate or rates specified in the Credit Agreement, whether or not such interest is an allowable claim in such Insolvency Proceeding, and all costs and expenses of the Senior Lender incurred in connection with such Insolvency Proceeding). Except as otherwise expressly provided pursuant to this Agreement, after indefeasible payment in full of the Senior Obligations, the Senior Lender shall pay over any excess amount to the Subordinate Lender for application in payment of the Subordinate Debt (or as otherwise directed by a court presiding over such Insolvency Proceeding). Except as otherwise expressly provided pursuant to this Agreement, this Section 5(a) shall be sufficient authority for any person making any such payment or distribution to make such payment or distribution directly to the Senior Lender.

(b) If the Subordinate Lender, in violation of this Agreement, commences, pursues, or participates in any action or Insolvency Proceeding, the Senior Lender may take any and all actions it may determine in respect of the breach of this Agreement including

to intervene in such Insolvency Proceeding to enforce the terms of this Agreement against the party acting in violation of this Agreement.

(c) To the extent any payment of Senior Obligations (whether by or on behalf of the Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is declared to be a fraudulent preference or otherwise preferential, set aside or required to be paid to a trustee, receiver or other similar person under any bankruptcy, insolvency, receivership or similar law, then if such payment is recoverable by, or paid over to, such trustee, receiver or other person, the Senior Obligations or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

(d) In any Insolvency Proceeding, the Senior Lender is hereby irrevocably authorized and empowered, in its sole discretion and sole expense, to demand, receive and collect any and all dividends or other payments or disbursements made in such Insolvency Proceedings in whatever form the same may be paid or issued and to apply the same on account of the Senior Obligations.

(e) In respect of any Insolvency Proceeding, the Subordinate Lender will waive any and all rights to affect the method or challenge the appropriateness of any action by Meridian with respect to management, performance or enforcement of the Senior Debt and the Senior Security.

5. NOTICE OF ENFORCEMENT/NOTICE OF AMENDMENT

Concurrently with (i) the commencement of any Insolvency Proceeding, the appointment of a Receiver or the taking of any other action to realize or enforce the Senior Security or the Subordinate Security or make any demand in respect of the Senior Debt or the Subordinate Debt, and (ii) any proposed amendment of the Lanterra Purchase Agreement, the Subordinate Lender or the Senior Lender, as the case may be, shall give the other notice in writing of such appointment or other action.

6. NOTICE OF DEFAULT AND DEMAND

(a) The Senior Lender agrees to give the Subordinate Lender written notice of any demand for payment or material Event of Default under the Credit Agreement or the Senior Security of which it becomes aware, and the particulars of same, provided further that the Senior Lender shall provide timely updates to the Subordinate Lender from time to time (and when requested by the Subordinate Lender) of the status of and any material developments related to such demand for payment or Event of Default.

(b) The Subordinate Lender agrees to give the Senior Lender written notice of any demand for payment or event of default under the Subordinate Mortgage or the Subordinate Security of which it becomes aware, and the particulars of same; provided further that the Subordinate Lender shall provide timely updates to the Senior Lender from time to time (and when requested by the Senior Lender) of the status of and any material developments related to such demand for payment or event of default.

7. COVENANTS OF THE SUBORDINATE LENDER

The Subordinate Lender hereby covenants and agrees in favour of the Senior Lender that, until all Senior Obligations due and owing to the Senior Lender in connection with the Credit Agreement have been indefeasibly paid in full and the Senior Lender has no further obligation to provide credit pursuant to the Credit Agreement, it shall not nor shall it agree to amend or modify (i) the Subordinate Security in any manner that would be or could reasonably be expected to be adverse to the Senior Security or the repayment of the Senior Obligations, and (ii) the agreement of purchase and sale between the Borrower, as vendor, and the Subordinate Lender (or an affiliate thereof), as purchaser, dated even date herewith (the "**Lanterra Purchase Agreement**"), in each case without the prior written consent of the Senior Lender in its sole, absolute and unfettered discretion.

8. COVENANTS OF THE SENIOR LENDER

The Senior Lender hereby covenants and agrees in favour of the Subordinate Lender that unless and until a breach shall have occurred under any forbearance agreement with the Borrower, it shall not nor shall it agree to amend or modify the Senior Security in any manner that would be or could reasonably be expected to be adverse to the Subordinate Security or the repayment of the obligations of the Borrower thereunder without the prior written consent of the Subordinate Lender (in its sole, absolute and unfettered discretion).

9. NO WAIVER OF SUBORDINATION

(a) No right of the Senior Lender to enforce the subordination as provided in this Agreement shall at any time and in any way be prejudiced or impaired by any act or failure to act on the part of the Borrower, or by any act or failure to act by the Senior Lender or any other agent of or trustee for the Senior Lender, or by any non-compliance by the Borrower with any of the agreements or instruments relating to the Senior Obligations, the Senior Security or the Senior Debt, regardless of any knowledge thereof which the Senior Lender may have or otherwise be charged with.

(b) If any of the Borrower's property subject to the Senior Security is sold by the Senior Lender or is sold for the benefit of the Senior Lender or is sold by any Receiver pursuant to the Senior Security, such property shall be sold free of any rights held by the Subordinate Lender, except for the Subordinate Lender's right, as a subsequent encumbrancer, to receive the proceeds of such sale in excess of the amount required to repay the Senior Obligations in full. Upon the Senior Lender's request, the Subordinate Lender shall so confirm to any prospective buyer of such assets at the time of the sale.

(c) No loss, delay, carelessness or neglect by the Senior Lender in asserting its rights or in any other thing whatsoever, including without limitation, the loss by operation of law of any right of the Senior Lender against the Borrower or the loss or destruction of any security shall in any way impair or release the subordination and other benefits provided to the Senior Lender under this Agreement.

(d) The Subordinate Lender hereby agrees that all payments received by the Senior Lender may be applied, in whole or in part, to any of the Senior Obligations as the Senior Lender in its sole discretion deems appropriate.

10. RELIANCE

(a) All of the Senior Obligations shall be deemed to have been continued in reliance upon this Agreement. The Subordinate Lender agrees that the Senior Lender has not made any representations or warranties with respect to the due execution, legality, validity, completeness or enforceability of any agreement or instrument relating to the Senior Obligations, the Senior Security or the collectability of the Senior Obligations. Except as provided hereunder, the Senior Lender shall be entitled to manage and supervise the Senior Obligations and other financial accommodations made by the Senior Lender to the Borrower in accordance with applicable law and the Senior Lender's usual practices (modified from time to time as its deems appropriate under the circumstances) or otherwise, without regard to the existence of any rights that the Subordinate Lender may now or hereafter have in or to any of the assets of the Borrower and the Senior Lender shall not have any liability to the Subordinate Lender for, and the Subordinate Lender hereby waives, to the extent permitted by applicable law, any claims which the Subordinate Lender may now or hereafter have against the Senior Lender in respect of any and all actions which any such person takes or omits to take (including, without limitation, actions with respect to the creation, perfection or continuation of liens or security interests in any property or undertaking at any time securing payment of the Senior Obligations, actions with respect to the occurrence of any default under any agreement or instrument relating to the Senior Obligations, actions with respect to the release or depreciation of, or failure to realize upon, any property or undertaking securing payment of the Senior Obligations and actions with respect to the collection of any claims for all or any part of the Senior Obligations from any account debtor, guarantor or any other person) with respect to the Senior Obligations and any agreement or instrument related thereto, or with respect to the collection of the Senior Obligations or the valuation, use, protection or release of any property or undertaking securing payment of the Senior Obligations, save and except for willful misconduct or gross negligence of the Senior Lender.

(b) All of the Subordinate Debt shall be deemed to have been made or incurred and continued in reliance upon this Agreement. Except as provided hereunder, the Subordinate Lender shall be entitled to manage and supervise the Subordinate Debt in accordance with applicable law and its usual practices (modified from time to time as it deems appropriate under the circumstances) or otherwise.

(c) The Borrower and the Subordinate Lender represent and warrant that the Subordinate Debt is the entirety of the debt or other obligations owed by the Borrower to the Subordinate Lender which is secured by the Subordinate Mortgage.

11. PAYMENT OF SENIOR DEBT

For purposes of this Agreement, the Senior Debt shall be considered to be paid in full when the aggregate of the cash payments and the fair market value of non-cash payments, as determined by the Senior Lender in its sole discretion, received and retained by the Senior Lender and available to be applied freely against the Senior Obligations are equal to the Senior Debt.

12. LIABILITY OF THE LENDERS

The Subordinate Lender and Senior Lender acknowledge and agree that they shall have no right to seek monetary damages from the other arising out of or related to any failure of

either of them to notify the other of a default or event of default pursuant to Section 6, and their sole remedy hereunder in respect thereof shall be specific performance or injunction pursuant to Section 13. The Subordinate Lender and Senior Lender further acknowledge and agree that the terms of this Section 12 shall survive the satisfaction, termination or cancellation of all or any part of the Senior Obligations or the Subordinate Debt.

The Senior Lender shall have no liability to the Subordinate Lender in respect of failure by the Subordinate Lender to obtain repayment in full of amounts owing to it by the Borrower.

13. EQUITABLE REMEDIES

The parties hereto acknowledge that a breach of the obligations hereunder by any party could result in irreparable damages to the non-breaching party or parties, and that in the event of such breach, damages at law would be an inadequate remedy. Accordingly, the parties hereto agree that upon a breach of the provisions hereof, each party shall be entitled to equitable remedies, including without limitation the right to obtain specific performance and injunctions against the relevant breach hereunder.

14. FURTHER ASSURANCES

The parties hereto agree that they shall at all times do, execute, acknowledge and deliver all such acts, deeds and agreements as may be reasonably necessary or desirable to give effect to the terms and provisions of this Agreement, including any and all acts, deeds or agreements as may be necessary for the purpose of registering or filing notice of the terms and provisions of this Agreement.

15. EXCHANGE OF INFORMATION

Upon written request by the Subordinate Lender or the Senior Lender to the other, each of the Subordinate Lender and the Senior Lender agree (without liability) to provide to the other copies of any reports received from the Borrower, a statement confirming the status of their respective indebtedness, including the amount of the indebtedness then outstanding, the then applicable interest rate and payment terms and particulars of all existing or alleged defaults by the Borrower in respect thereof. The Borrower hereby consents to the foregoing exchange of information.

16. HEADINGS

The headings and captions in this Agreement have been inserted for convenience only and are not a part hereof.

17. FURTHER ASSIGNMENTS

The Subordinate Security may not be assigned by the Subordinate Lender in whole or in part unless the assignee of the Subordinate Lender in the Subordinate Security delivers to the Senior Lender a written agreement, in form and substance satisfactory to the Senior Lender, acting reasonably, whereby such assignee agrees to be bound by this Agreement as if it was an original party hereto.

18. NOTICES

Any demand, notice or communication to be made or given hereunder or under the Documents shall be in writing and given by personal delivery or by email addressed to the respective parties as follows:

(1) To the Subordinate Lender:

Lanterra Developments Ltd.
2811 Dufferin Street
Toronto, Ontario M6B 3R9

Attention: Christopher Wein
Email: cwein@lanterradev.com

Attention: Tim Watson
Email: twatson@lanterradev.com

with a copy to:

Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, Ontario M5L 1B9

Attention: Eric Carmona
Email: ecarmona@stikeman.com

(2) To the Senior Lender:

Meridian Credit Union Limited
75 Corporate Park Drive
St. Catharines, Ontario L2S 3W3

Attention: Bernie Huber, Senior Commercial Credit Specialist
Email: bernie.huber@meridiancu.ca

with a copy to:

Aird & Berlis LLP
Barristers and Solicitors
Brookfield Place
181 Bay Street, Suite 1800
Toronto, Ontario M5J 2T9

Attention: Steven Graff and Kathryn Esaw
Email: sgradff@airdberlis.com, kesaw@airdberlis.com

(3) To the Borrower:

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

or to such other address as any party may from time to time notify the others in accordance with this Section 17. Any demand, notice or communication given by personal delivery shall be effected between 9:00 a.m. and 5:00 p.m. on the date of delivery and conclusively deemed to have been given on the day of actual delivery thereof, or, if given by other electronic means of communication, on the first Business Day following the transmittal thereof. "**Business Day**" means a day that the principal office of the Senior Lender is open for business to the general public but does not in any event include a Saturday or a Sunday.

19. ENUREMENT

This Agreement shall be binding upon and enure to the benefit of the parties hereto and enure to the benefit of the Senior Lender and its successors and permitted assigns and shall be binding upon the Subordinate Lender and its successors and permitted assigns.

20. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement among the parties hereto in respect of its subject matter and supersedes any prior agreements, undertakings, declarations, or representations, written or oral, in respect thereof.

21. SEVERABILITY

If any of the provisions of this Agreement shall be held invalid or unenforceable by any court having jurisdiction, this Agreement shall be construed as if not containing those provisions and the rights and obligations of the parties hereto should be construed and enforced accordingly.

22. ACKNOWLEDGMENT OF RECEIPT

The Borrower acknowledges receipt of an executed copy of this Agreement and agrees to the terms thereof.

23. PARAMOUNTCY OF SUBORDINATION AND STANDSTILL AGREEMENT

It is acknowledged and agreed by the parties hereto that the terms of this Agreement shall govern, the Senior Security, the Senior Obligations, the Subordinate Debt and the Subordinate Security as if recited in all respects therein, and that in the event of any conflict between the terms of this Agreement and those of any of the Senior Obligations, the Senior Security, the Subordinate Debt or the Subordinate Security, the terms of this Agreement shall in every respect govern.

24. NO CONSENT OF THE BORROWER

No consent of the Borrower shall be necessary for any amendment to this Agreement by the Senior Lender and the Subordinate Lender, unless such amendment imposes new obligations on the Borrower or adversely amends any rights, duties or obligations of the Borrower.

25. TERMINATION

This Agreement, including all rights, obligations, subordinations, postponements, payment blockages, standstill agreements, waivers, releases, trusts and powers of attorney created hereunder or pursuant hereto, shall terminate and cease to have effect on the date on which the Senior Obligations shall have been indefeasibly paid in full.

26. GOVERNING LAW

This Agreement shall be construed and enforced in accordance with, and the rights of the parties hereto shall be governed by, the laws in effect within the Province of Ontario. Each of the parties hereto irrevocably attorns to the jurisdiction of the courts of the Province of Ontario.

27. COUNTERPARTS AND FORMAL DATE

This Agreement may be executed in several counterparts and delivered via electronic transmission, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear date as of the date written in the beginning of this Agreement.

[SIGNATURE LINES FOLLOW ON THE NEXT PAGE]

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

MERIDIAN CREDIT UNION LIMITED, as Senior Lender

Per: _____
Name:
Title: Authorized Signatory

LANTERRA DEVELOPMENTS LTD., as Subordinate Lender

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I/We have authority to bind the above.

ADELAIDE STREET LOFTS INC., as Borrower

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I/We have authority to bind the above.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

MERIDIAN CREDIT UNION LIMITED, as Senior Lender

Per: _____
Name:
Title: Authorized Signatory

LANTERRA DEVELOPMENTS LTD., as Subordinate Lender

Per: _____
Name: Christopher J. Wein
Title: ASO

Per: _____
Name:
Title:

I/We have authority to bind the above.

ADELAIDE STREET LOFTS INC., as Borrower

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I/We have authority to bind the above.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first written above.

MERIDIAN CREDIT UNION LIMITED, as Senior Lender

Per: _____
Name:
Title: Authorized Signatory

LANTERRA DEVELOPMENTS LTD., as Subordinate Lender

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I/We have authority to bind the above.

ADELAIDE STREET LOFTS INC., as Borrower

Per: _____
Name:
Title:

Per: _____
Name:
Title:

I/We have authority to bind the above.

SCHEDULE A

Legal Description of the Lands

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

38240180.5

This is Exhibit "G" referred to in the Affidavit of Bernhard Huber sworn April 20, 2020.

Commissioner for Taking Affidavits (or as may be)

LANTERRA DEVELOPMENTS LTD
2811 Dufferin Street | Toronto, Ontario | M6B 3R9 t: 416.635.7424 | f: 416.619.3558

April 7, 2020

Miller Thomson LLP
Representative Counsel for the Investors
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, Ontario, M5H 3S1

Attention: Gregory Azeff and Stephanie De Caria

RE: Purchase of 263 Adelaide Street West (the "Property") pursuant to an Agreement of Purchase and Sale dated December 20, 2019 (the "APS")

Representative Counsel,

As you are aware, the ongoing COVID-19 Pandemic has prevented the ordinary operation of businesses in Ontario and much of the world. Our business has not escaped disruption. As of April 4, 2020, Lanterra (and all developers of residential condominiums) are prohibited by the Government of Ontario from active construction on projects for which we do not have above-grade structural permits. For us, this meant the immediate suspension of construction of over 2,000 residential units and tens of thousands of square feet of commercial development. Importantly, this would include the Property. In addition, our operations as a real estate entity have been greatly constrained by, amongst other things:

- Deferred rent payments from commercial and residential tenants throughout our portfolio;
- Decreased access to capital from financial institutions and equity partners;
- Forced closure of our sales offices and a decreased ability to market properties effectively;
- Delayed closings on the sale of completed condominiums;
- Inability to finalize crucial zoning bylaws, seek site plan approvals and receive NOAC; and
- An inability to effectively diligence potential projects including to obtain off-title responses and conduct physical diligence.

As you can appreciate, these restrictions make it imprudent and potentially impossible to close the acquisition of the Property on the timeline provided in the APS and the Minutes of Settlement, being the closing date of May 14, 2020. To that end, we respectfully request that Representative Counsel consent to an indefinite extension of the closing date until the date which is eight (8) weeks following the resumption of normal commercial business activity within the City of Toronto and Province of Ontario. We would also suggest an outside date of potentially December 15, 2020 or whatever you feel is reasonable to create some certainty for the investors.

We would like to make it absolutely clear that Lanterra remains committed to the Property and all other terms in the APS and Minutes of Settlement including the fundamental economics of the transaction. We will continue to make every effort to complete the transaction as soon as possible.

Respectfully,

Lanterra Developments Limited

Christopher J. Wein, Chief Operating Officer

This is Exhibit "H" referred to in the Affidavit of Bernhard Huber sworn April 20, 2020.

Commissioner for Taking Affidavits (or as may be)

Kathryn Esaw
Direct: 416.865.4707
E-mail:kesaw@airdberlis.com

April 14, 2020

BY EMAIL

Lanterra Developments Ltd.
2811 Dufferin Street
Toronto, Ontario M6B 3R9

Attention: Christopher J. Wein and Tim Watson

Dear Sirs:

Re: Transaction involving 263 Adelaide Street West (the "Property") pursuant to an Agreement of Purchase and Sale dates December 20, 2019 (the "APS")

As you are aware, we are counsel to Meridian Credit Union ("**MCU**"). Capitalized terms used herein but not otherwise defined shall have the meaning attributed to them in the forbearance agreement dated December 23, 2019 (the "**Forbearance Agreement**"), a copy of which is enclosed for you convenience.

We are writing in respect to your advice that Lanterra Developments Ltd. ("**Lanterra**") wishes to indefinitely extend the closing date associated with the Lanterra Transaction until the date which is eight weeks following the resumption of "normal commercial business activity" within the City of Toronto and the Province of Ontario.

As you know, we are the senior-ranking secured creditor to Adelaide Street Lofts Inc. (the "**Borrower**"), which owns the Property. Among other things, in association with the financial difficulties experienced by the Borrower and the resulting breach of the Credit Agreement and Financing Agreements, the Borrower and MCU entered into the Forbearance Agreement, which was part of a larger settlement among various stakeholders. The terms of the Forbearance Agreement require that the Lanterra Transaction close on or before May 20, 2020 and the Indebtedness be repaid in full by May 22, 2020. The failure of either of these conditions constitutes an Intervening Event, which gives MCU the right to seek its remedies, both under its Credit Agreement and Financing Agreements, and under law. MCU continues to reserve its rights under the Forbearance Agreement in all respects, including the right to bring on its receivership application on notice to the relevant parties.

MCU is not insensitive to effect of the COVID-19 pandemic on Lanterra. However, Lanterra can similarly appreciate that such pandemic has correspondingly had a negative effect on MCU, and MCU cannot accommodate business decision delays on the proposed terms. As such, MCU is willing to consider an extension to the closing of the Lanterra Transaction **strictly on the following terms**, all of which must be met in order to MCU to consider consenting to any alteration of the Forbearance Agreement or other settlement documentation:

1. **Extension Period:** any extension of the closing of the Lanterra Transaction must be as limited as possible, and include a universally clear term. MCU is willing to allow a 10 week extension to the original May 14, 2020 closing date, at which point the parties will

re-evaluate the market landscape. In the event that MCU or Lanterra believes that market conditions have improved to the extent that the Lanterra Transaction is able to close sooner, including but not limited to the Ontario Superior Court of Justice's resumption of normal activities, the parties shall have a mechanism to truncate the extension period.

2. **Interest Reserve and other Fees:** MCU must continue to be kept current under the terms of the Credit Agreement and Financing Agreements. Among other things, the interest reserve established as part of the Forbearance Agreement must be brought up to an amount that MCU reasonably requires to service all interest and other fees through the course of the calendar year and all legal fees to date must be paid immediately. MCU shall be paid an extension fee of $25,000.

3. **Meaningful Deposit:** Lanterra must put down a meaningful deposit that will give MCU the assurance it needs that Lanterra will close the Lanterra Transaction, in the amount of 5% of the total purchase price, being the minimum market deposit amount in restructuring transactions. The deposit must be non-refundable and shall be held in trust by counsel to MCU.

We look forward to discussing these terms with you at your earliest convenience.

Yours truly,

AIRD & BERLIS LLP

Kathryn Esaw

c.c. Mr. B. Huber – Meridian Credit Union
c.c. Mr. S. Graff – Aird & Berlis LLP

AIRD BERLIS

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MERIDIAN CREDIT UNION LIMITED - and - **ADELAIDE STREET LOFTS INC.**

Applicant

Respondent

Court File No. CV-19-00628145-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceedings commenced at Toronto

AFFIDAVIT OF BERNHARD HUBER
(sworn September 30, 2019)

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