



May 7, 2020

Update on Status of Proceedings, Transaction Approval & Closing Date

Pursuant to the Order of the Honourable Mr. Justice Hainey of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated March 21, 2019 (the “**Order**”) Miller Thomson LLP (“**Representative Counsel**”) was appointed to represent all individuals and/or entities (“**Investors**”) that hold an interest in a syndicated mortgage, administered by Hi-Rise Capital Ltd. (“**Hi-Rise**”), in respect of the property municipally known as 263 Adelaide Street West, Toronto, Ontario (the “**Property**”) owned by Adelaide Street Lofts Inc. (“**Adelaide**”) and the proposed development known as the “Adelaide Street Lofts”, in connection with the negotiation and implementation of a settlement with respect to such investments. A copy of the Order can be found on the ‘Documents’ section of Representative Counsel’s website (the “**Website**”), available at <https://www.millerthomson.com/en/hirise/>.

Representative Counsel writes this update further to our communication dated April 20, 2020 entitled “Important Update on Status of Proceeding” and our communication dated April 23, 2020 entitled “Update on Status of Proceedings and Settlement Approval Motion” (collectively, the “**Last Updates**”), copies of which are posted on the ‘Communications’ section of the Website, and to provide Investors with the following update. All capitalized terms in this Communication have the same meaning prescribed to them in the Last Updates. Please review this communication in conjunction with the Last Updates.

Settlement Approval Motion

1. As set out in the Last Updates, the Settlement Approval Motion proceeded on April 22, 2020 via video conference call before the Court. At the Settlement Approval Motion, the parties were directed to negotiate the issue of the extension to the Closing Date.
2. Pursuant to the direction of the Court, the parties to the Minutes of Settlement (being Lanterra, Adelaide, Hi-Rise, Jim Neilas and 263 Holdings Inc.) negotiated and agreed to a new Closing Date. Representative Counsel was kept apprised of these negotiations.
3. The parties agreed to a new date of November 16, 2020 for the closing of the Transaction (the “**New Closing Date**”) and agreed to amended Minutes of Settlement (the “**Amended Minutes of Settlement**”) to reflect the New Closing Date, among other terms further described below.
4. As you know, and for reasons set out in the Last Updates, Representative Counsel was not in a position to agree or disagree to an extension to the Closing Date.

The New Hearing Date

1. The parties attended the New Hearing Date before the Court via video conference on April 27, 2020.
2. The following occurred at and after the New Hearing Date:
 - (a) The parties advised the Court that they reached a settlement on the New Closing Date and advised of the Amended Minutes of Settlement;
 - (b) Representative Counsel advised the Court that it was not in a position to agree or disagree to the New Closing Date or to sign the Amended Minutes of Settlement;
 - (c) In light of this, on April 27, 2020, the Court issued an Endorsement that authorized and directed Representative Counsel and the members of the Official Committee to sign the Amended Minutes of Settlement. A copy of the Endorsement of the Honourable Mr. Justice Hainey dated April 27, 2020 is posted under the 'Documents' section of the Website;
 - (d) Thereafter, Representative Counsel and members of the Official Committee executed the Amended Minutes of Settlement. All other parties to the Amended Minutes of Settlement also executed same; and
 - (e) On April 27, 2020, the Court granted an Order (the "**Settlement Approval Order**") approving the Settlement and the Transaction contemplated thereunder, including the New Closing Date. A copy of the Settlement Approval Order and the executed Amended Minutes of Settlement (which forms a schedule attached to the Settlement Approval Order) are posted under the 'Documents' section of the Website.
3. This means that the Settlement and the Transaction are now Court-approved, along with the New Closing Date.

Terms of the Amended Minutes of Settlement

The Amended Minutes of Settlement provide for the following:

1. As noted above, the Closing Date has now been extended to November 16, 2020. This means that the Transaction will be completed and the Property will be sold to Lanterra on November 16, 2020; and
2. The interest payable to Meridian under its loan and mortgage on the Property will continue to accrue to the New Closing Date. However, Lanterra has agreed to pay the interest to Meridian, compounded monthly, that will continue to accrue from May 15, 2020 to the New Closing Date. This payment of Meridian's interest will be in addition to the Purchase Price. This means that Lanterra will cover the interest payable to Meridian during the extended closing period. This is now a term of the Settlement.



Notwithstanding the above-noted amendments, all other terms of the Minutes of Settlement remain in full force and effect.

What Does This Mean for Investors?

Since issuing the Last Updates, Representative Counsel has received numerous inquiries from Investors regarding what the New Closing Date means for them. We take this opportunity to respond to these inquiries:

- As set out in the Last Updates, the interest payable to Investors under each of their investments will now continue to accrue to the New Closing Date. This means that interest will continue to accrue past the original Closing Date of May 14, 2020, and for another 6 months to the New Closing Date.
- It is still anticipated that Registered Investors will receive a return of their principal and all of their accrued interest as at the New Closing Date. This means that Registered Investors will receive a return of both principal and all of their interest, including additional 6 months' worth of interest that will have accrued due to the extended New Closing Date.
- Based on Representative Counsel calculations, interest will continue to accrue to the Registered Investors group as a whole in the amount of approximately \$150,000 per month. The additional 6 months' of interest will amount to approximately \$900,000 payable to the Registered Investors group. These monies will be available from the Purchase Price contemplated in the Minutes of Settlement.
- Non-registered Investors were never anticipated to receive a full recovery of their investment. Given that the New Closing Date means that 6 months' worth of interest will continue to accrue and will be recovered by the Registered Investors, the Non-Registered Investors' recoveries will be less than originally anticipated.
- During the negotiation period, Representative Counsel made a request that the Non-Registered Investors receive some form of compensation for the 6 month delay period. This request was not met and did not form part of the settlement. This means that Non-registered Investors will not receive any payment on account of the 6 month extension to the closing of the Transaction.
- Representative Counsel understands the 6 month extension and the New Closing Date impacts the recoveries available to the Non-registered Investors from the Purchase Price. Notwithstanding this delay and impact, Representative Counsel believes that in the circumstances, the current Transaction and Settlement still represent the best possible outcome and recovery for all Investors.
- It is important to note that the 6 month extension and New Closing Date is the result of the Covid-19 pandemic, which none of the parties anticipated or could have foreseen at the time the Minutes of Settlement were signed or at the time the Vote was held.



- The New Closing Date has been memorialized by signed agreement and has been approved by the Court. Lanterra is still committed to the Property and Transaction, and has every intention of closing the Transaction on the New Closing Date, irrespective of the status of the Covid-19 pandemic. The closing of the Transaction is now scheduled to occur on the New Closing Date.

IMPORTANT Note to Investors Regarding Communications & Investor Inquiries

Representative Counsel continues to receive inquiries that have been addressed in our Communications. The Communications we deliver to Investors are intended to provide Investors with updates on new developments and new information. Accordingly, Representative Counsel will not be repeating the same information in each of its Communications. Please consult the Website and the Communications, as it is likely that the information you are seeking has already been provided to Investors by Representative Counsel.

To the extent you require further information or clarification after you have reviewed the Website and previous Communications, please feel free to contact Representative Counsel. In order to manage the volume of inquiries and to effectively respond to all Investors, we ask that all Investors submit inquiries to Representative Counsel through email at HiRiseCapital@millერთhompson.com. Representative Counsel reviews all emails received through this email address, and will respond to **new** inquiries through further communications to Investors (which will be emailed to all Investors and posted on the Website).

It is crucial at this time that all Investors respect this request. Thank you all for your patience.

Yours Truly,

Miller Thomson LLP,
solely in its capacity as
Representative Counsel

