Long Form Notice of Hearing

NOTICE OF HEARING FOR CERTIFICATION AND PARTIAL SETTLEMENT APPROVAL

Fortress Syndicated Mortgages Class Actions in respect of:

Collier Centre, Barrie
Harmony Simcoe/The Kemp, Barrie
Orchard, Calgary
Sutton/The Link, Burlington
Ten88 Progress, Toronto

You are receiving this notice because you invested in a syndicated mortgage loan in respect of one or more of the following developments:

- the **Collier Centre Project** **First Syndicated Mortgage only,** (i.e. investments prior to January 30, 2015) located at 90 Collier Street and 55 Mulcaster Street, Barrie, Ontario, in respect of the charge registered as Instrument SC1005953;

- the **Harmony Simcoe/The Kemp Project**, located at 51, 53, 55 and 75 Bradford Street, Barrie, Ontario, in respect of the charge registered as Instrument SC983678.

- the **Sutton/The Link Project**, located at 5210, 5218, 5226, 5236 Dundas Street and 2500 Burloak Drive in Burlington, Ontario in respect of the charges registered as Instruments HR1062915, HR1163232, or HR1174204;

- the **Orchard Project** located at 602, 606, 610, 620, 624, 626 and 628 12th Avenue S.E., in Calgary, Alberta in respect of the charge registered as Registration Number 141 112 373; or

- the **Progress/Ten88 Project**, located at 1088 Progress Avenue, Toronto, Ontario in respect of the charge registered as Instrument AT3101004.

Proposed class actions have been commenced in respect of each of these developments. Because you invested in one or more of these syndicated mortgage loans, you are a potential class member.

A Partial Settlement has been reached with the Defendants, Building & Development Mortgages Canada Inc. (formerly carrying on business as Centro Mortgage Inc.) ("BDMC"), and the Estate of Ildina Galati, deceased, by its Trustee in Bankruptcy Crowe Soberman Inc. ("Galati") (together, the "BDMC Defendants") in each of these proposed class actions.

A Partial Settlement has also been reached with the Defendants FFM Capital Inc., Rosalia Spadafora and Saul Perlov (together, the "FFM Defendants"). The FFM Defendants were only included as defendants in the actions involving the Collier Centre, Orchard, and Sutton/The Links Development Projects.

All five actions will be continuing against all other Defendants named in each of these actions. The Defendants in all five of the Class Actions include Fortress Real Capital Inc., Fortress Real Developments Inc., Derek Sorrenti, and Sorrenti Law Professional Corporation, the developers of the Projects, and certain other companies and individuals are also named in the Statements of Claim. The claims allege that all of the Defendants' conduct caused or contributed to the Classes' losses arising from their syndicated mortgage loan investments in these developments.

The Class Actions raise several different causes of action against the Defendants. The legal terms for these allegations are: violations of statutory duties as per the *Financial Services Regulatory Authority of Ontario Act*, breach of fiduciary duties, fraudulent and negligent misrepresentations, negligence, conspiracy to injure, and breach of contract.

If you would like to read more, copies of the Statements of Claim can be viewed under the documents tab at: www.fortressclassaction.ca .

You can also review the Settlement Agreements at: www.fortressclassaction.ca under the Documents tab.

Under the terms of the BDMC Partial Settlement, the BDMC Defendants will pay a settlement fund totaling **$8,000,000.00**, inclusive of legal costs, interest and taxes, as a full and final settlement of the five claims made against them. BDMC is being operated in a trusteeship, and Ms. Galati's Estate is bankrupt. The settlement fund is being paid by BDMC's insurer.

Under the terms of the FFM Partial Settlement, the FFM Defendants will pay a settlement fund totaling **$2,375,000.00**, inclusive of legal costs, interest and taxes, as a full and final settlement of the three claims made against it. FFM Capital Inc. is a bankrupt company. The settlement fund is being paid by FFM's insurer. Under the Partial Settlement, FFM will also provide the Plaintiffs with documents and evidence that will assist in the prosecution of the actions against the remaining Defendants.

None of the allegations made against the Settling Defendants has been proven in court, and the Settling Defendants deny all the allegations that have been made against them. If a settlement had not been reached, the Settling Defendants would be defending the Class Actions and opposing the certification of these actions as class proceedings. The settlement is a compromise of the parties' positions and is not an admission of liability or fault by the Settling Defendants.

Before the Settlements are final, the actions have to be certified as class actions as against the Settling Defendants, and the Settlements have to be approved by the Ontario Superior Court of Justice. The court hearing to decide if these actions should be allowed to proceed as class actions, and to decide if the Partial Settlements are fair, reasonable

and in the best interest of the Classes, and therefore should be approved is scheduled for **Friday, January 13, 2023** and will be heard by videoconference.

If the Settlements are approved, then the net Settlement Funds will be divided between the Class Actions and distributed to the Class Members (investors) in each of the Class Actions. The manner in which the Settlement Funds are to be allocated between the five (BDMC Settlement)/three (FFM Settlement) actions will be determined by the Court based upon the recommendations of Class Counsel and FAAN Mortgage Administrators Inc. The allocation to be proposed for approval will be determined in advance of the January 13, 2023 hearing date, and will be a fair allocation as between the Classes.

Your legal rights will be impacted if the Partial Settlement is approved. You have the right to either attend at the settlement approval hearing to audit the hearing, or to make submissions to the Court, or you may make written submissions to the Court about the Settlement Agreement. If you wish to make written submissions or would like to make submissions to the court in person, please contact Class Counsel at the addresses referenced below. Written submissions must be received by Class Counsel no later than Wednesday, January 11, 2023, so that they can be provided to the Court in advance of the hearing. If you would like more information about the Settlements, or to obtain the videoconference link for the approval hearing, please contact Class Counsel

At the same time as the hearing for certification and approval of the Settlement Agreement, the Plaintiffs' lawyers will ask the Court to approve their legal fees and expenses to be paid from the Settlement Funds. The legal fees requested will 25% of the Settlement Funds, plus taxes and disbursements.

Class Counsel have been working on a contingency fee basis, and have not been paid for any of the work that they have performed on these matters since they were started in 2016 and 2017. They have paid adverse cost awards made against the Plaintiffs and have paid for all the expenses related to the prosecution of the five actions.

If the Settlements are approved, the costs of the notices to the class and administering the distribution of the Settlements will be deducted from the Settlement Funds, in addition to the court-approved legal fees and expenses.

If the five actions are certified as class actions, then there will be an opportunity for any person who does not wish to participate in the actions and does not wish to receive part of the settlement funds to exclude themselves from the actions by "opting out". If the five actions are certified, and the settlements are approved, there will be another notice to all the Class Members, which will explain how Class Members can opt out. Until the class actions are certified, it is too soon to seek to opt out. Class Counsel are available to answer any questions that you have about the opt out process.

Questions about this Notice, the Class Actions or the Partial Settlements should be directed to:

Waddell Phillips Professional Corporation Barristers 36 Toronto Street, Suite 1120 Toronto, ON M5C 2C5 reception@waddellphillips.ca Tel: 1-888-684-5545 (toll-free) Fax: 416-477-1657	**MSTW Professional Corporation** Barrister and Solicitor 1301- 20 Adelaide Street E Toronto, ON M5C 2T6 mwine@mstwlaw.com Tel: 416-477-5524 Fax: 416-777-2050

The Ontario Superior Court of Justice has authorized distribution of this Notice, however, questions about this Notice should NOT be directed to the Court.