



Frequently Asked Questions and Answers

The questions set forth below include common frequently asked questions, including certain questions that have been received from investors by FAAN Mortgage Administrators Inc. (“FAAN Mortgage”) in its capacity as Trustee of the syndicated mortgage loan administration business of Derek Sorrenti or Sorrenti Law Professional Corporation (collectively, “Sorrenti”). This document may be amended from time to time based on additional questions received by the Trustee.

General

A. What has happened to Sorrenti?

On September 30, 2019, pursuant to an order (the “Appointment Order”) of the Ontario Superior Court of Justice (Commercial List) (“Court”), FAAN Mortgage Administrators Inc. (“FAAN Mortgage”) was appointed as trustee (“Trustee”) over all of the assets, undertakings and properties of Sorrenti relating to Sorrenti’s trusteeship and administration of syndicated mortgage loans (the “Sorrenti SMLs”) in projects affiliated with Fortress Real Developments Inc. and certain related entities (“Fortress”). The Trustee’s appointment resulted from an application made by the Law Society of Ontario (“LSO”) under Section 49.47 of the *Law Society Act, R.S.O. 1990. c. L.8*, and section 101 of the *Courts of Justice Act*, as amended.

Pursuant to the terms of the Appointment Order, the Trustee will assume responsibility for the management of all administration duties in connection with the Sorrenti SMLs. The administration duties to be managed by FAAN Mortgage include (i) collecting funds from borrowers; (ii) remitting payments to lenders; (iii) reviewing and communicating with lenders regarding any borrower requests for an extension to the dates established in the Sorrenti SMLs, including completion dates and payment dates; (iv) reviewing and communicating with lenders regarding any borrower requests for a subordination of a Sorrenti SML to construction financing; (v) if necessary, taking enforcement action where a SML is in default; and (vi) reporting to Court.

Set out below is a listing of the active Sorrenti SMLs presently known to the Trustee. This listing may be amended from time to time based on additional information obtained by the Trustee.

	Project Name(s)	Street Address of Lands	Borrower Name(s)
1.	Gotham	324, 326, 328 Gloucester St & 226 Lyon St., Ottawa, Ontario	Bel Ottawa Inc.
2.	Harmony Village Shepard	3260 Sheppard Avenue East, Scarborough, Ontario	Harmony Village-Sheppard Inc.
3.	Mapleview Commons	9891 & 9869 Keele St. Vaughan, Ontario	Empire Pace (Maple) Ltd.
4.	Progress Manors	1088 Progress Avenue, Scarborough, Ontario	Empire Pace (1088) Progress) Ltd.
5.	Residences of Bayview/Lotus	5,7,9,11,15 Kenaston & 577 Sheppard Avenue East, Toronto Ontario	Pine Ridge Building Corp.
6.	Soba	203 Catherine Street Ottawa, Ontario	Soba Ottawa Inc.
7.	Solotex/Victoria Park Place	1650-1682 Victoria Park Avenue, Toronto, Ontario	1682 Victoria Park Avenue Inc.
8.	The Sutton/The Link	5236,5226,5218,5210 Dundas Street, 2500 Burloak Drive, Burlington, Ontario	ADI Development Sutton Inc., ADI Developments (LINK) Inc.
9.	Wismer/Eldin	Block 27, Plan 65M 4071 Markham, Ontario	1839314 Ontario Inc. Name Changed to: Pace Developments (The Mark) Inc. Great Eldin Investments
10.	Unionvillas/Uptowns of Unionville	4116, 4128, & 4142 Highway 7 East, on the north side of Highway 7, east of Birchmount Road, Ontario	Sunrise Acquisitions (Hwy 7) Inc.

The Appointment Order and the Trustee’s mandate thereunder does not pertain to any portion of Sorrenti’s law practice that does not relate to the administration of the Sorrenti SMLs. The LSO will be assisting FAAN Mortgage with identifying the materials in Sorrenti’s possession that relate to the administration of the Sorrenti SMLs. If you have inquiries regarding the law practice of Sorrenti that do not involve the Sorrenti SMLs you should contact Mr. Sorrenti.

The Appointment Order also appointed Chaitons LLP as representative counsel (“Representative Counsel”) for all investors (the “Investors”) in respect of these proceedings regarding their common interests. See the section below entitled “Appointment of Representative Counsel”.

B. How can I get an update on the status of the project to which I loaned funds?

FAAN Mortgage, as Trustee, continues to review the status of all of the projects that have received advances from the Sorrenti SMLs. For clarity, the Trustee is not appointed over any of the projects that have received advances from Sorrenti SMLs and the applicable developers/borrowers remain in control of the projects. The Trustee will communicate with the developers/borrowers or their representatives to obtain information about the projects and to obtain updates regarding project



timelines and potential outcomes for the Sorrenti SMLs. We will provide updates to the applicable lenders once more information on the projects has been received.

Certain matters in relation to the projects and the Sorrenti SML's position may require immediate attention from the Trustee to permit it to address time sensitive matters. In those cases, where appropriate, FAAN Mortgage will provide written updates directly to lenders. We will contact lenders if there is a time sensitive matter that requires your immediate attention, and in such cases a communication will be sent directly to you.

Upon its appointment on September 30, 2019, the Trustee commenced its review of the projects and will provide lenders with updates once relevant information is available. In the meantime, unfortunately we will not be in a position to provide general project updates in response to individual lender requests.

C. Am I able to redeem my loan today?

No. Unfortunately, there appears to be no provision in your loan agreement to allow you to immediately seek repayment of your loan.

We are aware that some of the Sorrenti SMLs have matured and that the permitted extension period(s) contained in such Sorrenti SMLs have also expired; however, it appears that Sorrenti entered into certain postponement and subordination agreements with senior lenders, as contemplated by the majority of the Sorrenti SML loan agreements. These postponement and subordination agreements require Sorrenti to postpone its interests to the interests of senior lenders and to not take any steps to enforce its rights until the senior lenders are paid in full or commence certain enforcement actions. "Senior lenders" in this context means lenders providing construction financing and/or other priority financing. Therefore, in these instances you may be required to wait until such a time as the project is completed and the priority financing has been repaid or until the senior lenders commence enforcement action.

We are in the process of reviewing the Sorrenti SML agreements and related documents prepared in connection with each project, including those that have matured, as part of the project review discussed in "B" above.

D. Will I get future interest payments?

At this time, we do not know whether future interest payments will be made. We are investigating this matter, but understand that where interest is not being paid, it typically accrues and becomes payable when the Sorrenti SML is repaid (subject to in certain cases where a "Force Majeure" clause has been invoked by the borrower¹). If you have ceased receiving interest payments, we understand that you should not expect that interest payments will resume.

E. Will I recover my entire principal and my accrued interest?

At this time, we cannot comment on potential recoveries to lenders. You may recover the principal amounts you advanced to the borrower and interest on those amounts, but you may not.

¹ Pursuant to the loan agreements, interest ceases to accrue while a project is in Force Majeure.



Substantial information is required to assess the potential outcome for your loan, including the status of the project, the developer's ability to secure suitable construction financing, whether the project can be completed on time and within budget, the price obtained for units sales and general market conditions. In certain cases the Trustee will likely require updated appraisals or an assessment from third-parties to assess the current value of the project. As described in "B" above, the Trustee will be reviewing each project and will provide information to lenders when the assessment is complete.

F. How do we reach the Trustee?

We have been receiving an extremely high volume of calls and emails, accordingly, we kindly ask, that prior to calling or emailing you reference this list of frequently asked questions.

We understand that this is a very unsettling time for many lenders and we are working diligently to provide you with relevant information and clarity. Please note that as stated previously, if there are urgent matters that you as a lender need to be advised of or need to be consulted on, we will send a communication directly to you.

Should you have questions that are not addressed in this list of frequently asked questions, please do not hesitate to communicate with the Trustee at:

Email: info@faanmortgageadmin.com
Toll-Free Telephone Number: 1-833-495-3338

Information regarding these proceedings, including this list of frequently asked questions, is also available on the FAAN Mortgage website www.faanmortgageadmin.com.

G. What to include when emailing or calling us?

When calling or emailing us please be sure to include the information set out below so that we can most efficiently respond to your questions:

- a) Full name, including the spelling of your last name;
- b) Name(s) of the project that you are inquiring about; and
- c) Phone number (if you are looking for a return call).

Please note, that the voicemail is checked frequently throughout the day and all calls are logged and then returned in the order that they were received. Given the volume of calls it may take up to a few days for you to receive a return call, but please know that a representative of FAAN Mortgage will return your call as soon as possible. Please note that email is the most efficient way to get in touch with us.

H. Please explain the reason for the proceedings initiated by the LSO.

The LSO's decision to initiate proceedings seeking FAAN Mortgage's appointment as Trustee can be found in the affidavit of Nadia Musclow, sworn September 30, 2019 and filed by the LSO with Court. Ms. Musclow's affidavit is included in the "Application Record Returnable September 30, 2019" that is available on the Trustee's website: www.faanmortgageadmin.com.



I. I cannot find the project to which I have loaned my funds listed on Schedule “A” to the notice I received from the Trustee. What does this mean?

If you have loaned funds on a project that is not included in the table above, that means that your loan may not be administered by Sorrenti. In such a case, your loan may be administered by BDMC and you should refer to FAAN Mortgage’s website for the BDMC proceedings (www.faanmortgageadmin.com). If you still cannot locate your SML, please contact your licensed mortgage broker who should be able to provide you with contact information for the relevant administrator.

J. What is the difference between Sorrenti and BDMC?

Sorrenti and BDMC both acted as mortgage administrators in respect of separate projects involving syndicated mortgage loans and Fortress. In the past, certain projects were transferred from Sorrenti’s administration to BDMC’s administration.

K. What is the status of Sorrenti and Fortress? Are these companies bankrupt?

Sorrenti is not bankrupt. The Trustee has been appointed as trustee of the assets, property and undertakings of Sorrenti and is in control of Sorrenti’s SML administration business. Neither Sorrenti nor any of its directors or officers have any independent decision-making abilities with respect to the Sorrenti SMLs at this time. To the Trustee’s knowledge, Fortress continues to operate. The Trustee has no authority over Fortress and only limited knowledge of its business and affairs. Any questions about Fortress should be directed to its representatives.

L. Will there be any litigation or class action suits brought against Sorrenti and Fortress Real Developments Inc.?

The Trustee understands that certain litigation was commenced against Sorrenti prior to the date of the Appointment Order. It is premature to know whether there will be any litigation commenced by the Trustee or Representative counsel against Sorrenti, Fortress or others as part of these proceedings.

M. Is there an estimate for how long it will take for this matter to be resolved?

No, at this time it is too early to know how long this matter will take or how long it will take to administer any one syndicated mortgage loan made to a project. The Trustee will be reporting to the Court periodically with respect to its views on the various projects.

N. I have questions regarding the law practice of Sorrenti that do not relate to the Sorrenti SMLs, who do I contact?

The Appointment Order and the Trustee’s mandate thereunder does not pertain to any portion of Sorrenti’s law practice that does not relate to the administration of the Sorrenti SMLs. If you have inquiries regarding the law practice of Sorrenti that do not involve the Sorrenti SMLs you should contact Mr. Sorrenti directly.

Appointment of Representative Counsel

O. Why was Representative Counsel appointed?

The Trustee's mandate does not include providing legal advice to Investors. Given that many of the concerns of the Investors are common to all Investors or to all Investors in any one project, the Court appointed Representative Counsel to provide Investors with legal representation with respect to their common interests in Sorrenti SMLs.

Representative Counsel's mandate is to represent the common interests of the approximately 3,000 Investors in Sorrenti SMLs. To that end:

- Representative Counsel will act for all Investors in the Court proceedings with respect to the common interests of those Investors.
- Representative Counsel will act in the best interest of Investors and take such necessary and appropriate actions as Representative Counsel deems fit from time to time.
- Investors can contact Representative Counsel for legal guidance regarding matters falling within Representative Counsel's mandate.
- Investors have an opportunity to opt out of representation by Representative Counsel at any time by sending an opt out form to Representative Counsel, a copy of which was attached to the Trustee's notice to Investors dated October 4, 2019.

P. What are the implications of opting out from being represented by the Representative Counsel?

Any Investors who opt out will not be represented by Representative Counsel in this matter and will either be unrepresented or need to retain their own lawyers, at their expense.

Q. Does the appointment of Representative Counsel mean that something has changed regarding the project to which I have advanced my funds?

No, the appointment of Representative Counsel is not related to any specific development or change in the status or outcome of any one or more projects.

R. Will I be receiving a bill from Representative Counsel personally?

Investors have no obligation to pay or otherwise compensate Representative Counsel in respect of its efforts on their behalf. Representative Counsel will be paid its reasonable fees and disbursements from proceeds realized on the various projects and these fees will be paid in priority to a distribution to Investors on the respective project.

The Trustee is mindful that the costs of Representative Counsel should be adequately managed, but is of the view that Representative Counsel can add value to the process and the ultimate outcome for Investors. The Trustee is and will continue to be in regular contact with



Representative Counsel to ensure that there is a streamlined strategy and no duplication of efforts between the Trustee and Representative Counsel.

S. Is there any action required of Investors at this time?

At this time, there is no action required by Investors who do not wish to opt out of representation by Representative Counsel.

If Investors do not wish to be represented by Representative Counsel, they may opt-out of representation by completing the form attached to the Notice and sending it to Representative Counsel. There is no deadline to opt out and Investors can opt out at any time. Please note that fees and disbursements incurred by Representative Counsel related to the respective projects will be paid in priority to a distribution to all Investors on that project, whether or not Investors choose to opt out of representation by Representative Counsel.

T. How do we reach Representative Counsel?

Investors can reach Representative Counsel at the following email address:

Email: sorrentiinvestors@chaitons.com
Telephone: 1-833-777-0037

When calling or emailing Representative Counsel please be sure to include the information set out below:

- a) Full name;
- b) Name(s) of the project that you are inquiring about;
- c) Phone number (if you are looking for a return call); and
- d) Reason for your email.

As noted above, Investors looking for information regarding the status of loans or projects should contact the Trustee or review the available information on the Trustee's website (see above) rather than contacting Representative Counsel with such inquiries. Representative Counsel will endeavour to respond to appropriate telephone and email inquiries as soon as practically possible, having regard to the volume of inquiries and number of investors. Please note that Representative Counsel has advised that email is the most efficient way to get in touch with them.