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OCTOBER 31, 2019 TO DECEMBER 13, 2019

1. INTRODUCTION AND PURPOSE OF REPORT

1. PrimeWest Mortgage Investment Corporation (“**PrimeWest**” or the “**Corporation**”) was incorporated under *The Saskatchewan Business Corporations Act* on March 22, 2005, and commenced operations in October of 2005 as a Mortgage Investment Corporation (“**MIC**”).
2. The Corporation provided lending on security of mortgages on real properties situated in Saskatchewan, Manitoba and Alberta. The mortgages transacted by the Corporation did not generally meet the underwriting criteria of conventional lenders. As a result, the Corporation’s investments were subject to a greater risk and accordingly earned a higher rate of interest than is typical with conventional mortgage lending activities.
3. In June of 2016, the contract of the then-President and CEO of the Corporation, Mr. Don Zealand (“**Zealand**”), was terminated, and an interim CEO was engaged, effective August of 2016. Subsequently, an in-depth review of the Corporation’s portfolio was performed, which included updated appraisals of properties on which the Corporation’s loans were secured (the “**Portfolio Review**”).
4. The Portfolio Review revealed that a number of mortgage loans were under-secured and non-compliant with the Corporation’s lending guidelines and policies. As a result, the Corporation was required to increase its loan loss provision by over \$4 million for the year and suspend payment of dividends to shareholders for the first time in its history.
5. The interim CEO subsequently resigned in May of 2017, and was replaced by the Corporation’s CFO.
6. In response to the Portfolio Review, in October of 2017 the Corporation filed a Statement of Claim against Zealand, claiming a breach of the Corporation’s corporate policy, gross negligence and breach of fiduciary duty while he was President and CEO (the “**Zealand Action**”). Zealand denies all the allegations and has filed a counter-claim against the Corporation for wrongful dismissal. A defence to the counter-claim has been filed by the Corporation’s solicitors.
7. Throughout 2017 and 2018, the Corporation initiated a number of steps to attempt to improve its financial position, including extensive cost cutting, initiation of foreclosure proceedings on non-performing mortgage loans and pursuit of new investments and capital into the Corporation.

8. Such efforts did not result in significant financial improvement and, in June of 2018, the Corporation sought to sell its entire portfolio of assets. No acceptable proposals were received, culminating in the engagement of KPMG Inc. (“**KPMG**”) by the board of directors (the “**Board**”) on or about May 29, 2019, to evaluate potential strategies for the Corporation.
9. Following KPMG’s analysis and recommendations, the Corporation determined that an orderly liquidation pursuant to Section 204 of *The Business Corporations Act*, RSS 1978, c B-10 would be the most effective means of winding up the Corporation.
10. On September 24, 2019, at an annual and special meeting of the shareholders of the Corporation, a detailed liquidation plan was presented to and approved by the shareholders (the “**Liquidation Plan**”).
11. The Liquidation Plan provides a mechanism to:
 - a) Cease operations in an efficient and definitive manner;
 - b) Safeguard the current assets of the Corporation and move to realize them in due course;
 - c) Establish a claims process by which to address all Claims in a timely and cost-effective manner; and
 - d) Make distributions to creditors and, in the event of there being remaining equity, to shareholders in as expedited and equitable a manner as possible.
12. The voluntary liquidation and windup of the Corporation commenced effective October 24, 2019 (the “**Effective Date**”), at 5:00PM CST. At that time, all powers of the Corporation’s directors ceased and the directors were deemed to have resigned. KPMG was appointed as liquidator (the “**Liquidator**”).
13. On October 31, 2019, the Court of Queen’s Bench for Saskatoon (the “**Court**”) issued an order (the “**Order**”) approving the Liquidation Plan and affirming the appointment of KPMG as Liquidator. The Order further appointed former directors of PrimeWest, Tom Robinson, Wilson Olive, Francis Bast and Tom Archibald, as inspectors of the Corporation’s liquidation (collectively, the “**Inspectors**”).
14. This is the Liquidator’s first report (the “**First Report**”) to the Court. This First Report has been prepared to assist the Court in advance of a hearing scheduled for January 10, 2020, respecting, among other things, the Liquidator’s proposed claims process for the identification, resolution and barring of

Claims (the “**Claims Process**”), and to provide the Liquidator’s summary and comments with respect to the following:

- a) The assets and liabilities of the Corporation;
 - b) The activities of the Liquidator since appointment;
 - c) The Liquidator’s interim statement of receipts and disbursements from October 31, 2019, to December 13, 2019, including a discussion of professional fees incurred to date by the Liquidator and its counsel; and
 - d) The Liquidator’s recommendations.
15. Further background and information regarding the Corporation and these liquidation proceedings, including a copy of the Order and the Liquidation Plan, which forms Schedule “A” thereto, can be found on the Liquidator’s website at <https://home.kpmg/ca/primewest> (the “**Liquidator’s Website**”).
16. In preparing this First Report and making the comments herein, the Liquidator has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, Corporation records, Corporation-prepared financial information and projections, discussions with management (“**Management**”) and employees, and information from other third party sources (collectively, the “**Information**”).
17. The Liquidator has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Liquidator has not audited, reviewed 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 (“**CAS**”) pursuant to the *Chartered Professional Accountants Handbook*, and accordingly the Liquidator expresses no opinion or other form of assurance in respect of the Information.
18. Some information referred to in this First Report may consist of forecasts and projections, which were prepared based on Management’s estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and as a consequence no assurance can be provided regarding the forecasted or projected results. The reader is cautioned that the actual results will likely vary from the forecasts or projections, even if the assumptions materialize, and the variations could be significant.
19. The information contained in this First Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Corporation.

20. Capitalized terms not otherwise defined herein are as defined in the Order and the Liquidation Plan. This First Report should be read in conjunction with the materials posted on the Liquidator's Website, as certain information has not been included herein to avoid unnecessary duplication.
21. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

2. CORPORATION'S PRIMARY ASSETS

22. The Corporation's primary assets, based on the Corporation's books and records as at September 30, 2019, are as follows (collectively the "Assets"):

Summary of Primary Assets	
As at September 30, 2019	CAD \$
Asset	Estimated Book Value
Cash and cash equivalents	1,805,431
Mortgages receivable	1,320,778
Assets taken in settlement of debt	3,403,369
Other assets	61,739
Total Assets	6,591,317

23. Mortgage receivables are amounts owed on loans secured by existing mortgages in favour of the Corporation. As at September 30, 2019, the Corporation had a total of 19 mortgages in its portfolio, comprised of six mortgages on commercial properties and 13 mortgages on residential properties. The mortgages bear interest ranging from 5% to 13%, with varying maturity dates, some as late as November 2021.
24. Subsequently, on November 7, 2019, the Liquidator received a payout on one of the residential mortgages for \$8,500.
25. Assets taken in settlement of debt are mortgaged properties that have been foreclosed by, or have been in some manner transferred to, the Corporation.
26. Other assets consist of prepaid expenses and other miscellaneous items located at the Corporation's head office in Saskatoon, Saskatchewan.

3. CORPORATION'S PRIMARY LIABILITIES

27. The Corporation's primary liabilities, based on the Corporation's books and records as at September 30, 2019, are as follows:

Summary of Primary Liabilities	
As at September 30, 2019	CAD \$
Liabilities	Estimated Book Value
Other liabilities	82,117
Contingent liabilities	Unknown
Total Liabilities	82,117

28. Other liabilities are mainly comprised of accounts payable from operations.

Contingent liabilities

29. Contingent liabilities are comprised of the following Claims:

- a) The Zealand Action, particulars of which are described in paragraph 6 hereof;
- b) A proposed class action against certain Directors, commenced on June 12, 2018, by Mr. Randy Koroluk on behalf of a number of plaintiffs (the "**Class Action**"), pertaining to the Board's oversight of the actions of Zealand, the collection of mortgage receivables and the disposition of assets taken in settlement of debt since Zealand's termination. The Class Action has yet to be certified;
- c) An action commenced on June 29, 2018, by Ms. Debbie Gloria Burwash, a class A Common shareholder of the Corporation, seeking rescission of shares or damages in lieu of rescission. The Corporation has filed a defence; and
- d) An action commenced on May 9, 2018, by Granite Enterprises Inc., a class A Common shareholder of the Corporation, seeking rescission of shares or damages in lieu of rescission. The Corporation has filed a defence.

30. None of the above detailed actions has as yet been adjudicated or settled, and all remain contingent on future legal proceedings.

4. LIQUIDATOR'S ACTIVITIES TO DATE

Activities

31. The Liquidator attended the Corporation's head office location to undertake the following initial actions:
- a) Engaged the former interim CEO of the Corporation to assist in various liquidation and operational matters;
 - b) Sent notices regarding the Liquidator's appointment to the Saskatchewan Director of Corporations and to each known Creditor. A copy of the notice is attached hereto as **Appendix "A"**;
 - c) Published notices of the liquidation in the *Saskatoon Star Phoenix*, the *Regina Leader-Post* and the *Medicine Hat News* on November 12 and 19, 2019, and in the *Selkirk Journal* on November 14 and 21, 2019, which gave notice to all persons:
 - i. indebted to the Corporation, to render an account and pay to the Liquidator all amounts owing;
 - ii. possessing assets of the Corporation, to deliver such assets to the Liquidator; and
 - iii. having a Claim, to present particulars thereof in writing to the Liquidator no later than January 12, 2020;
 - d) Delisted the common shares from the Canadian Securities Exchange;
 - e) Applied to the Financial and Consumer Affairs Authority for Saskatchewan and Ontario for an order to cease being a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario; and
 - f) Filed all financial statements and reports required of the Corporation as a reporting issuer, specifically the September 30, 2019, financial statements and related management discussion and analysis.

32. Subsequent to the initial actions, the Liquidator has maintained and continued frequent contact with the CEO in the performance of her duties.

Cash and banking

33. The Liquidator sent notice to the Corporation's financial institution, Conexus Credit Union that all of the Corporation's accounts are to be immediately frozen and the balances forwarded to the Liquidator for deposit into the Liquidator's trust account. The Corporation's bank account remains open for receipts only, with no disbursements possible.
34. The Liquidator immediately opened a new trust account in the name of the Liquidation estate and subsequently transferred all cash in the Corporation's bank accounts to the Liquidator's trust account. As certain cash receipts continue to flow to the Corporation's bank accounts, the Liquidator continues to monitor the Corporation's account to transfer any new funds as required. All disbursements throughout the Liquidation period will be reviewed and approved by the Liquidator, and disbursed from the Liquidator's trust account.

Books and records

35. Substantially all of the Corporation's books and records were located at the Corporation's head office location in Saskatoon, Saskatchewan. Older records remain in secured offsite storage. A backup of all electronic records was taken by the Liquidator.

Insurance

36. Insurance is in place with respect to the Corporation's operations, and the Liquidator has been added as a loss payee to all relevant policies. Insurance coverage consists primarily of a blanket insurance policy, a run off policy and a property policy covering the assets taken in settlement of debt.
37. The Liquidator has reviewed the insurance policies for adequacy of protection and has sought alternative quotes. It was determined that maintaining the Corporation's current policies would provide the necessary coverage at the best value throughout the liquidation.

Assets taken in settlement of debt

38. PrimeWest had previously engaged a management company to administer the rental of its properties. Prior to the Effective Date, PrimeWest had requested that the management company cease seeking

tenants, in the hopes that empty properties would facilitate quicker sales; however, in order to defray some of the costs of the Liquidation proceedings, the Liquidator, with the approval of the Inspectors, has instructed the management company to resume seeking tenants for the remaining vacant properties. Potential tenants will be encouraged to enter into lease terms shorter than 12 months in order to mitigate any potential effects on sales.

5. CLAIMS PROCESS

39. The Liquidator seeks approval of the Claims Process. A copy of the draft Claims Process Order can be found on the Liquidator's Website. Below is a summary of the Claims Process.

Notice and Filing Proofs of Claim

40. By January 15, 2020, the Liquidator will send a notice, along with a proof of claim form (the "**Proof of Claim**") and a related instruction letter (collectively, the "**Proof of Claim Document Package**") to each Creditor identified from the Liquidator's review of the books and records of the Corporation as having a potential Claim, as of the Effective Date.

41. The Liquidator will publish a notice to the Creditors of the Claims Process on two separate dates in the *Saskatoon StarPhoenix*, the *Regina Leader-Post* and either the *Globe and Mail* or the *National Post*, and post electronic copies of all documents relating to the Claims Process, on the Liquidator's Website.

42. The deadline for submission of completed Proofs of Claim to the Liquidator is 4:00 p.m. (Saskatchewan Time) on Tuesday March 10, 2020 (the "**Claims Bar Date**").

Identification, Resolution and Barring of Claims

43. The Claims Process is as follows:

- a) A Proof of Claim must be filed in respect of every Claim, regardless of whether or not a legal proceeding in respect of a Claim has been previously commenced, and regardless of whether or not the Creditor is able to quantify such Claim;
- b) Each Proof of Claim received on or before the Claims Bar Date will be reviewed by the Liquidator and will either be accepted, revised, disallowed or referred to the Court by the Liquidator;
- c) Any Creditor who fails to deliver a Proof of Claim to the Liquidator in accordance with the Claims Process will have its Claim forever barred and extinguished, and will not be entitled to further notice with regard to the Claims Process or the Liquidation Proceedings;

- d) The Liquidator will notify each Creditor of any revision or disallowance of its Claim (the “**Notice of Revision or Disallowance**”):
 - i. in the case of a Claim against any one or more of the Directors, by no later than 60 Calendar Days after the Claims Bar Date; and
 - ii. In the case of all other Claims, by no later than 90 Calendar Days after the Claims Bar Date.
- e) Creditors can dispute the amount of the Claim as revised or disallowed by the Liquidator by:
 - i. delivering a Dispute Notice to the Liquidator within 15 calendar days of receipt of a Notice of Revision or Disallowance; and
 - ii. filing and serving upon counsel to the Liquidator an application returnable in the Liquidation Proceedings, along with supporting materials. If a Creditor does not dispute the Notice of Revision or Disallowance, the Claim will be deemed to be as per the Notice of Revision or Disallowance; and
- f) Where the Liquidator determines that it is unable to accept, revise or reject a Claim summarily, the Liquidator shall apply to the Court for directions.

6. INTERIM RECEIPTS AND DISBURSEMENTS

44. Below is a summary of the Liquidator's interim statement of receipts and disbursements for the period October 31, 2019 to December 13, 2019 (the "SRD"). The complete SRD is attached hereto as Appendix "B".

Interim Statement of Receipts and Disbursements	
October 31, 2019 to December 13, 2019	
	Amount (CAD \$)
Cash Receipts	
Opening balance	1,775,312
Mortgage payouts	8,500
Other collections	5,373
Mortgage receipts	5,235
Interest	433
Total cash receipts	1,794,853
Cash disbursements	
Liquidator's fees	68,073
Legal fees	60,857
Liquidator's counsel fees	29,294
Payroll, wages and contractors	15,357
GST PST and municipal taxes paid	17,728
Consulting	7,578
Rent	2,800
Software and hardware	1,323
Utilities	612
Security	225
Bank fees	207
Storage	107
Total cash disbursements	204,162
Excess receipts over disbursements	1,590,690

45. Receipts relate primarily to the refinancing of the Corporation's mortgage receivables by other financial institutions, as well as regular payments made by customers in the Corporation's current mortgage portfolio.
46. The disbursements during the Liquidation period have primarily related to the ongoing proceedings by the Corporation, as well as costs related to head office activities such as rent and utilities, payroll, software and so forth.
47. The Liquidator anticipates future receipts to be generated primarily from:
- Sales proceeds from assets taken in settlement of debt;

- b) Regular payments received from mortgage receivables;
- c) Payouts of mortgages and loan receivables; and
- d) Proceeds of mortgage enforcement proceedings.

48. The Liquidator anticipates future disbursements required for the administration of the Liquidation to consist mainly of:

- a) Employee salary;
- b) Remuneration of Inspectors;
- c) Rent payments for head office;
- d) Utility costs relating to assets taken in settlement of debt and head office;
- e) Commissions to realtors;
- f) Fees and disbursements of the Liquidator and its counsel; and
- g) Legal costs related to ongoing proceedings by the Corporation.

7. FEES AND DISBURSEMENTS OF THE LIQUIDATOR AND ITS COUNSEL

49. The Liquidator and the Liquidator’s counsel have billed fees and disbursements of \$75,401 and \$32,513, respectively, inclusive of GST and PST (collectively, the “**Liquidation Professional Fees**”). The fees and disbursements have been approved by the Inspectors and have been paid.

Liquidation Professional Fees Summary					
Service Period	Fees	Disbursements	GST	PST	Total
Liquidator					
August 1, 2019 - October 30, 2019	26,541	1,153	1,385	1,592	30,672
October 31, 2019 - November 15, 2019	38,868	1,510	2,019	2,332	44,729
Total Liquidator's Fees	65,409	2,664	3,404	3,925	75,401
Liquidator's Counsel					
August 1, 2019 - November 19, 2019	29,240	54	1,465	1,754	32,513
Total Liquidator's Counsel Fees	29,240	54	1,465	1,754	32,513
Total Professional Fees	94,649	2,718	4,868	5,679	107,914

50. Copies of the invoices described herein, including detailed time analysis, will be made available to the Court upon request.
51. The Liquidator’s and its counsel’s fees and disbursements from August 1, 2019, to October 30, 2019, pertain primarily to preparation for the commencement of the Liquidation. This included time spent on issues regarding the initial Court hearing, drafting letters and other materials, reviewing various issues including tax and other legal implications of the Liquidation, and other activities related to the Liquidator’s engagement.
52. The Liquidator’s and its counsel’s fees and disbursements from October 31, 2019, to November 15, 2019, pertain to performance by the Liquidator of its statutory duties and post-appointment mandate, including on-site attendance at the Corporation’s head office location, obtaining a fulsome understanding and control of the Assets, responding to issues and demands raised by interested parties, including but not limited to the lawyer for the Class Action, formulating an initial strategy for dealing with the Corporation’s assets taken in settlement of debt and the numerous active mortgage enforcement proceedings, and formulating a claims process strategy and structure, including the drafting of the Claims Process Order. The Liquidator is of the view that, in light of the nature and value of the Assets, and the volume and complexity of the issues overseen by the Liquidator with the advice of its counsel, the Liquidation Professional Fees are fair and reasonable.

8. CONCLUSION AND RECOMMENDATIONS

53. The Liquidator submits this First Report, respectfully requesting that the Court:

- a) Approve the First Report and the activities of the Liquidator as set out herein;
- b) Approve the Claims Process as detailed herein;
- c) Approve the Liquidation Professional Fees for the period of August 1, 2019, to November 15, 2019; and
- d) Approve the interim statement of receipts and disbursements for the period of October 31, 2019, to December 13, 2019.

This Report is respectfully submitted this 18th day of December, 2019.

KPMG Inc.

**In its capacity as Liquidator of
PrimeWest Mortgage Investment Corporation
and not in its personal or corporate capacity.**



Per: Neil Honess
Senior Vice President

APPENDIX "A"
LIQUIDATION NOTICE

SASKATCHEWAN BUSINESS CORPORATIONS ACT

Notice and Statement of the Liquidator

(Part 10 *Saskatchewan Business Corporations Act* subsection 204)

IN THE MATTER OF THE VOLUNTARY LIQUIDATION OF PRIMEWEST MORTGAGE INVESTMENT CORPORATION

The Liquidator hereby gives notice and declares that:

1. On the 31st day of October, 2019, the undersigned, KPMG Inc., was affirmed as the liquidator (the “Liquidator”) appointed over the assets and undertakings of PrimeWest Mortgage Investment Corporation (the “Company”). The assets are described below.

The assets of the Company as at October 31, 2019 can be summarized as follows¹:

	<u>Estimated Book Value</u>
Cash and Cash equivalents	1,805,431
Mortgages Receivable	1,317,999
Assets taken in settlement of debt	3,403,369
Other assets	61,739
Total	6,588,538

2. The undersigned was affirmed as Liquidator appointed over the assets and undertakings of the Company pursuant to a Court Order of the Court of Queen’s Bench of Saskatchewan (the “Order”) dated October 31, 2019. A copy of the Order is posted on the Liquidator’s website at www.kpmg.com/ca/primewest.
3. The following information relates to the Liquidation:
 - (a) Address of the company: 307 Jessop Avenue
Saskatoon, SK S7N 1Y5
 - (b) Principal line of business: Mortgage Investment
 - (c) Location of business: 307 Jessop Avenue
Saskatoon, SK S7N 1Y5
 - (d) As at October 31, 2019, the Company had no amounts outstanding owed to any creditors holding security on the assets described above.
 - (e) The Liquidator plans to carry out the plan of liquidation and dissolution of the Company (the “Liquidation Plan”) approved by the shareholders of the Company and by the Order, which Liquidation Plan includes the establishment and implementation of a Claims Process.

¹ The above summary of estimated assets has been prepared based on certain available information and KPMG Inc. assumes no liability or responsibility for inaccuracies.

(f) Contact Person for Liquidator: Cristina Pimienta

KPMG Inc.
Suite 3100, 205-5th Avenue SW
Calgary, AB, T2P 4B9
Telephone: (403) 691-8406
Facsimile: (403) 691-8009
Email: cpimienta@kpmg.ca

Dated at Calgary, Alberta, this 6th day of November, 2019.

KPMG Inc., in its capacity as liquidator of
PrimeWest Mortgage Investment Corporation,
and not in its personal or corporate capacity



Per: Neil Honess
Senior Vice President

APPENDIX "B"

**INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS FROM
OCTOBER 31, 2019 TO DECEMBER 13, 2019**

**IN THE MATTER OF THE VOLUNTARY LIQUIDATION OF
PRIMEWEST MORTGAGE INVESTMENT COPORATION
LIQUIDATOR'S INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD
OCTOBER 31, 2019 TO DECEMBER 13, 2019**

RECEIPTS	AMOUNT (CAD\$)
Opening balance	1,775,312
Mortgage payouts	8,500
Other collections	5,373
Mortgage receipts	5,235
Interest	433
TOTAL RECEIPTS	1,794,853
DISBURSEMENTS	
Liquidator's fees	68,073
Legal fees	60,857
Liquidator's counsel fees	29,294
GST PST and municipal taxes paid	17,728
Payroll, wages and contractors	15,357
Consulting	7,578
Rent	2,800
Software and harware	1,323
Utilities	612
Security	225
Bank fees	207
Storage	107
TOTAL DISBURSEMENTS	204,162
EXCESS OF RECEIPTS OVER DISBURSEMENTS	1,590,690