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September 29, 2020

**Re: update to Stakeholders**

## **INTRODUCTION**

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**”).

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.

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**”).

The Portfolio Review revealed that a number of mortgage loans were under-secured and noncompliant 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.

The interim CEO subsequently resigned in May of 2017 and was replaced by the Corporation’s CFO.

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.



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 nonperforming mortgage loans and pursuit of new investments and capital into the Corporation.

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.

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.

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**”).

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.

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**”).

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**”).

On December 18, 2019 the Liquidator filed its first report (the “**First Report**”), which described, among other things:

- a) The Company’s primary assets and liabilities;
- b) The Receiver’s activities to date;



- c) The Company's interim receipts and disbursements from October 25, 2019 to December 20, 2019 including a discussion of professional fees incurred to date by the Liquidator and its counsel; and
- d) The Liquidator's proposed claims process for the identification, resolution and barring of claims (the "**Claims Process**").

On January 10, 2020, the Court issued an order (the "Claims Process Order") approving the Claims Process.

### **SUMMARY OF ACTIVITIES OF THE LIQUIDATOR AND STATUS OF THE LIQUIDATION**

Below is a summary of the recent material activities of the Liquidator, and general information regarding the status of the Liquidation.

#### ***Collection of Outstanding Loans by Arrangement***

Payment arrangements are in place with several mortgagors, and the Liquidator has and will continue to collect instalment payments pursuant to such arrangements.

#### ***Realization of Real Property by Judicial Sale or Foreclosure***

Three judicial sales of mortgaged properties have been completed and four mortgaged properties are currently listed for sale, under our mortgage enforcement proceedings.

#### ***Sale of Real Property owned by Prime West***

Four of six condominiums owned by Prime West have been sold and efforts to sell the remaining properties and associated parking units are ongoing.

#### ***Judgment Realization***

Court judgments have been obtained and registered against a number of defendants in regard to unsatisfied debts, and are in the process of being enforced against those parties. There has been some recovery to date, and efforts continue.

#### ***Other Enforcement Proceedings***

Enforcement proceedings are underway in respect of claims against a number of defendants, including by way of summary judgment proceedings. The Liquidator is anticipating that these proceedings will likely result in recovery for the Company.

#### ***Realizations Generally***

A more fulsome estimate of realizations will be provided in our next court report.



***Claims Against the Company***

A number of claims have been filed against the Company in accordance with the Claims Process, including the Merchant Action. Proceedings regarding the Merchant Action are presently before the Court of Appeal, and a hearing is scheduled for November 16 before the Court of Appeal. Further information regarding the Merchant Action and the related proceedings is available on the website of the Liquidator. The remaining claims against the Company will be settled, if possible or, failing settlement, will be placed before the Court as soon as possible for determination.

We trust that this update to the stakeholders of the Company is helpful.

Yours faithfully,

**KPMG Inc.**, in its capacity as liquidator  
Of PrimeWest Mortgage Investment Corporation.,  
And not in its personal or corporate capacity.

A handwritten signature in black ink, appearing to read 'Neil Honess', written over a light blue horizontal line.

Neil Honess, Senior Vice President