COURT FILE NUMBER QB No. 1455 of 2019

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE SASKATOON

IN THE MATTER OF SECTION 204 OF *THE BUSINESS CORPORATIONS ACT*, RSS 1978, c B-10

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

**AFFIDAVIT OF MARLENE KAMINSKY**

I, Marlene Kaminsky, of the City of Saskatoon, in the Province of Saskatchewan, MAKE OATH AND SAY:

1. I am the chief financial officer and interim chief executive officer ("**CEO**") of the applicant, PrimeWest Mortgage Investment Corporation (referred to herein as "**PrimeWest**" or the "**Corporation**"). I was originally hired by PrimeWest in May of 2013 as its controller. I became PrimeWest's chief financial officer on June 29, 2016, and in May of 2017, I was additionally appointed as PrimeWest's interim CEO. As such, I have personal knowledge of the matters and facts herein deposed, except where otherwise stated, and where so stated, I verily believe the same to be true.

## I. INTRODUCTION AND OVERVIEW

2. This affidavit is being sworn in support of PrimeWest's application for Court supervision of the voluntary liquidation and dissolution of PrimeWest in accordance with the Plan of Liquidation and Dissolution (the "**Liquidation Plan**"), which was approved on September 24, 2019 at an annual and special meeting of PrimeWest's shareholders and will be implemented by PrimeWest's board of directors (the "**Board**") prior to the hearing of this matter. (Capitalized terms not otherwise defined herein will have the meanings given to them in the Liquidation Plan, a copy of which is appended as a later Exhibit to this affidavit.)

3. Accordingly, this affidavit will:

(a) provide background information about PrimeWest, its financial position, and the decision to pursue voluntary liquidation; and

(b) outline the reasons why PrimeWest is seeking Court supervision of the liquidation and dissolution proceedings.

4. As discussed in more detail below, PrimeWest is solvent, but the Board has concluded that it does not have the ability to sustain a profitable business operation going forward. It is on this basis that the

Board and shareholders approved the Liquidation Plan, a key component of which is a formal claims process requiring orders of this Honourable Court to be effective.

## II. PRIMEWEST

### A. Background to PrimeWest

5. PrimeWest is a mortgage investment corporation ("**MIC**") under the *Income Tax Act*, RSC 1985, c 1, having been incorporated pursuant to *The Business Corporations Act*, RSS 1978, c B-10 on March 22, 2005. A corporate profile report for PrimeWest dated October 8, 2019 is attached **Exhibit "A."**

6. PrimeWest became a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario under applicable securities laws in October of 2007, and PrimeWest's continuous disclosure materials have been filed with the securities regulators of those Provinces and posted publically via the System for Electronic Document Analysis and Retrieval (or SEDAR) since October 11, 2007, which can be viewed at the follow URL:

https://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00025992.

7. The Class A common shares of PrimeWest commenced trading on the Canadian Securities Exchange on March 10, 2016, under the symbol *PRI*.

8. As a MIC, PrimeWest has a license pursuant to *The Trust and Loan Corporations Act, 1997*, SS 1997, c T-22.2, and is in the business of investing in and managing a diversified portfolio of commercial and residential mortgages. PrimeWest's principal investment objective is to provide income to its shareholders while also preserving capital for future distribution or reinvestment, and the Corporation expects to derive its earnings principally from receipt of mortgage interest payments and interest on its cash reserves.

9. PrimeWest is a secondary lender, such that its applicants generally do not meet the underwriting requirements of traditional lending institutions. Because these loans entail a higher degree of risk, PrimeWest charges a higher interest rate than a typical financial institution. Since incorporation, PrimeWest has raised over $20 million in equity, and has been largely profitable in the past. For the reasons discussed in more detail below, PrimeWest is no longer viable, and is now pursuing voluntary liquidation to preserve the remaining value in the Corporation with the intention of distributing the same to the shareholders at the conclusion of the liquidation.

## B. Operational Challenges in 2016 and the Initiation of the Portfolio Review

10. Donald Zealand was employed by PrimeWest as its president and CEO from March 23, 2011 until his termination on June 6, 2016. In that capacity he was responsible for, among other things, managing the Corporation's day-to-day business in accordance with the Residential and Commercial Lending Guidelines (the "**Lending Guidelines**") approved by the Board. The circumstances surrounding Mr. Zealand's termination and the initial fallout are the subject of a judgment rendered by the Honourable Justice Smith in QBG 1333 of 2016, a copy of which is attached as **Exhibit "B."**

11. Following Mr. Zealand's termination, PrimeWest hired Brad Penno as its CEO effective August 22, 2016. Mr. Penno and I worked with the Board and other PrimeWest employees to conduct an in-depth review of PrimeWest's mortgage loan portfolio and capital assets to assess the Corporation's financial position (the "**Portfolio Review**").

12. As part of Portfolio Review, PrimeWest obtained updated appraisals for the properties against which its loans were secured, and discovered that a number of the loans were, in fact, under-secured, and non-compliant with PrimeWest's Lending Guidelines and associated policies.

13. These discoveries necessitated the disclosure of an increase to the Corporation's loan loss provisions on September 20, 2016 and November 15, 2016, which increased the Corporation's total loan loss provisions to $4,278,000 for the year. For the first time in its corporate history, PrimeWest had to suspend the payment of any dividends. A copy of PrimeWest's related press releases dated September 20, 2016 and November 15, 2016 are attached collectively as **Exhibit "C."**

14. To improve the Corporation's financial condition, PrimeWest made a concerted effort to reduce its operating costs and liquidate redundant assets. Foreclosure proceedings were initiated in respect of 14 non-performing mortgage loans. These efforts resulted in $1,875,000 in property realizations and mortgage recoveries for the period of June to November, 2016; however, PrimeWest's line of credit with the Conexus Credit Union (the "**Credit Union**") was fully drawn during this time, which required the Corporation to obtain an additional $1 million debenture from a related party to avoid further breaching of its covenants with the Credit Union.

## C. Attempt to Rebuild in 2017

### *(i) Introduction*

15. Heading into 2017, the Board reported to the shareholders that it planned to continue its efforts to mitigate PrimeWest's mortgage portfolio losses through extensive cost-cutting and stabilization efforts, while pursuing new investments and additional capital to permit the underwriting of new mortgage loans in accordance with the PrimeWest's Lending Guidelines to increase its income stream.

16. As discussed in more detail below, PrimeWest achieved a degree of success in reducing its operating costs, liquidating the assets it held as a result of settlements or foreclosures, and paying down its line of credit; however, the Corporation's efforts to rebuild its mortgage portfolio were ultimately undermined by:

(a) the final results of the Portfolio Review, which established further losses not properly reported in the Corporation's 2014 and 2015 financial statements;

(b) foreclosure actions commenced by first mortgagees against properties in which PrimeWest held a significant second mortgage position; and

(c) an overall decline in Saskatchewan's real estate market.

### *(ii) Results of the Portfolio Review*

17. The Portfolio Review ultimately determined that the Corporation's financial statements for 2014 and 2015 contained errors based on the International Financial Reporting Standards. Specifically:

(a) the timing of certain loss events meant that the effects of the same should have been considered in determining the Corporation's allowance for mortgage losses in 2014 and 2015; and

(b) the security values assigned to certain mortgages and assets taken in settlement of debts in 2014 and 2015 did not reflect market conditions and other circumstances that existed at that time.

18. Accordingly, the specific and collective allowances for mortgage losses and valuation of the assets taken in settlement of debt for 2014 and 2015 were restated in the December 31, 2016 financial statements, which were released on April 3, 2017. A copy of the associated press release reporting the same is attached as **Exhibit "D."**

19. As a result of the significant loan losses reported on the restated financials, the Corporation announced the continued the suspension of dividends for the second straight year.

### *(iii)* ***Foreclosure Actions***

20. PrimeWest's rebuilding efforts were significantly hampered in 2017 by three foreclosure actions commenced by first mortgagees against properties in which PrimeWest held a second mortgage position, namely:

(a) a hotel in Swift Current, Saskatchewan;

(b) a hotel in Medicine Hat, Alberta; and

(collectively, the "**Hotels**")

(c) a 16 unit condo development in Regina, Saskatchewan (the "**Condos**").

21. PrimeWest's loans in respect of the Hotels were also in arrears; however, PrimeWest did not have the available funds within its line of credit to buy-out the first mortgagees, nor was there an apparent business case to justify doing so in any event. Given the increasing arrears and uncertainty as to how the foreclosure proceedings would be finally resolved, in consultation with the Corporation's auditors, the full value of each loan was included in PrimeWest's loan loss provisions for 2017.

22. Conversely, the valuation of the Condos established that there may be equity available to mitigate (or at least meaningfully reduce) any potential loss to PrimeWest. On that basis, PrimeWest negotiated a settlement with the first mortgagee and the mortgagor to have the former paid out and the latter transfer title to the Condos to PrimeWest as part of a larger forbearance arrangement. The Credit Union was agreeable to increasing the line of credit to accommodate the settlement due to the increased asset value to be realized as a result of the same. PrimeWest immediately began marketing the Condos, three of which were sold in 2017.

### *(iv)* ***Market Decline***

23. With the additional availability within its line of credit, PrimeWest also increased its marketing both directly to consumers and to brokerages, which resulted in a significant influx of mortgage applications. Of the applications received, however, approximately 90% were non-compliant with PrimeWest's Lending Guidelines. Ultimately, only two new loans were advanced as a result of these initiatives.

24. The practical reality was that, by that time, the Saskatchewan real estate market was in decline, which affected not only PrimeWest's ability to sell the remaining Condos and other assets held, but also its ability to compete with other secondary lenders, who were offering quality loan products with lower

interest rates than PrimeWest was able to offer while also attempting to return to its historical rate of returns for its shareholders.

## D. Sale Attempts and Decision to Liquidate

25. As of March 31, 2018, PrimeWest's mortgage portfolio consisted of 27 mortgage loans with a gross value of $14,219,431; however, that amount was inclusive of a number of doubtful loans, including those relating to the Hotels, which remained in default and subject to foreclosure proceedings initiated by the first mortgagees. After accounting for the loan loss provisions, the realizable value of PrimeWest's mortgage portfolio was determined to be $6,224,067.

26. The uncertainty surrounding the Hotels and timeline for the sale of the Condos coupled with Saskatchewan's real estate market conditions led the Board to determine that any plan to return PrimeWest to profitability would be, at best, a long-term initiative and, in the Board's view, not necessarily in the Corporation's best interests.

27. In 2018, PrimeWest sought expressions of interest from parties interested in acquiring the Corporation's mortgage portfolio and other assets. That search yielded two interested parties but, following discussions and exchanges of information, one party withdrew its expression of interest and the Board determined that the other party's expression of interest was not *bona fide* and, if pursued, would not result in the recovery of any tangible value of the Corporation's assets. Accordingly, it was determined that it was not in the best interests of the Corporation or its shareholders to pursue the matter further.

28. The Board reported this state of affairs to the shareholders at the Corporation's June 19, 2018 annual general meeting, and further advised that it proposed to instruct PrimeWest's management to pursue further expressions of interest for the sale of PrimeWest's existing assets, with any *bona fide* offers to be presented to the shareholders for approval at a later date. If no such offers were received, then the Board further reported to the shareholders that it intended to conceptualize and present a plan for the voluntary liquidation of the corporate assets to be considered and voted upon by the shareholders the following year.

29. Following the meeting, PrimeWest pursued an additional expression of interest, which did not result in a *bona fide* proposal. No further expressions of interest or proposals were forthcoming in the months that followed, and accordingly, the Board instructed the Corporation's management to proceed with the voluntary liquidation option.

## III. APPROVAL OF THE LIQUIDATION PLAN

30. The Liquidation Plan was approved by the Board on August 16, 2019, at which time the Board passed a further motion to seek shareholder approval of the same at the annual and special meeting of shareholders on September 24, 2019 (the "**Shareholder Meeting**"). A copy of the resulting Material Change Report and Press Release dated August 20, 2019 are attached collectively as **Exhibit** "**E**."

31. The Information Circular provided to shareholders on August 30, 2019, a copy of which is attached as **Exhibit** "**F**," set out the terms of the proposed liquidation, and appended the Liquidation and Dissolution Resolution (the "**Special Resolution**") and Liquidation Plan as Schedules "A" and "B," respectively.

32. The shareholders voted to approve the Special Resolution at the Shareholder Meeting, as reported in the September 25, 2019 Report of Voting Results attached as **Exhibit** "**G**." In the result, there were 200,000 votes cast in favour and only 8,000 votes cast against the Special Resolution, a certified copy of which is attached as **Exhibit** "**H**."

33. With the Special Resolution approved, the Board and I are working to prepare for the cessation of business, resignation of the Board, and transfer of the ongoing foreclosure and other corporate matters to the Liquidator in anticipation of the implementation of the Liquidation Plan.

34. Prior to the hearing of this matter, the Corporation's statement of intent to dissolve will be delivered to the Director of Corporations (the "**Director**"), and upon receipt of the issued certificate of intent to dissolve from the Director, the Board will resolve to implement the Liquidation Plan, thereby triggering the Effective Date of the same.

## IV. PRIMEWEST'S FINANCIAL POSITION

35. PrimeWest's assets are primarily made up of:

(a) cash (and cash equivalents);

(b) receivables owing pursuant to its mortgage loans;

(c) residential and commercial properties to which it has taken legal title either pursuant to settlement agreements with the borrowers or final orders of foreclosure; and

(d) deficiency judgments granted by the Court of Queen's Bench following judicial sales of mortgaged properties.

36. PrimeWest's audited financial statements dated December 31, 2018 and condensed interim financial statements (unaudited) for the first two quarters of 2019 (the "**Second Quarter 2019 Financial Statements**") are attached as **Exhibits "I"** and "**J**," respectively. As shown therein:

(a) PrimeWest's line of credit has been paid off in its entirety;

(b) it has no other significant liabilities; and

(c) the aggregate value of PrimeWest's property exceeds the amount of its obligations.

37. The statements in paragraph 36(a)-(c) remain accurate as of the swearing of this affidavit. PrimeWest remains able to meet its obligations as they generally become due, and has continued paying its current obligations in the ordinary course of business as they generally become due, pending liquidation.

38. The Corporation has no secured creditors. Personal Property Registry search results for PrimeWest dated October 8, 2019 are attached as **Exhibit "K."**

39. As of the swearing of this affidavit, I am the Corporation's sole remaining employee. Aside from any amount that could potentially be awarded to Mr. Zealand in the legal action discussed below, PrimeWest is unaware of any claim that there are amounts owing to any former employees of the Corporation. PrimeWest's payroll source deduction remittances are current.

40. In terms of contingent liabilities, PrimeWest is named as a defendant in four legal proceedings in the Saskatchewan Court of Queen's Bench, the particulars of which are as follows:

(a) On October 16, 2017, PrimeWest issued a statement of claim against Mr. Zealand, alleging breach of corporate policy, gross negligence, and breach of fiduciary duty while acting as PrimeWest's president and CEO. Mr. Zealand filed a statement of defence denying the allegations and commenced a counter-claim alleging wrongful dismissal, which PrimeWest has defended. The collective pleadings are attached as **Exhibit "L."**

(b) On June 12, 2018, Randy Koroluk, who is not himself a PrimeWest shareholder but purports to be a member of the representative class of registered shareholder of PrimeWest, commenced a class action lawsuit against the Board and certain past directors alleging breach of trust, breach of fiduciary duty, waste of corporate assets, interference with economic relations, and negligence. The material facts pleaded in support of the allegations relate to, among other things, Mr. Zealand's alleged investment activities and the subsequent CEOs' attempts to mitigate the same. A copy of the statement of claim is attached as **Exhibit "M."** The time for serving the claim was extended to December 19, 2018 by the Fiat of the Honourable Justice Keene, a copy of which is attached as **Exhibit "N"**; however, as of the swearing of this affidavit, the claim has yet to be served on all of the defendants or certified as a class action.

(c) On May 9, 2018, Granite Enterprises Inc., a registered shareholder of PrimeWest, issued a statement of claim against PrimeWest and its former broker, P.I. Financial, seeking rescission of its shares or damages in lieu of the same. The material facts pleaded in

support of the allegations relate to, among other things, PrimeWest's application to appoint an inspector, which resulted in the Judgment of the Honourable Justice Smith in QBG 1333 of 2016 appended as Exhibit "B" and the restatement of the Corporation's 2015 earnings. PrimeWest and P.I. Financial have defended the action. The collective pleadings are attached as **Exhibit "O."**

(d) On June 29, 2018, Debbie Gloria Burwash, a registered shareholder of PrimeWest, issued a statement of claim against PrimeWest seeking rescission of her shares or damages in lieu of the same. The material facts pleaded in support of the allegations relate to, among other things, Mr. Zealand's alleged investment activities, and PrimeWest has defended the action. The collective pleadings are attached as **Exhibit "P."**

(collectively, the "**Actions**")

41. The Actions fall within the Liquidation Plan's definition of *Claim*, such that, if the Order sought herein is granted, they would be dealt with as part of the claims process to be established by the Liquidator pursuant to the mandatory obligation set out in Section 4.3(k) of the Liquidation Plan and any further orders of the Court.

42. In addition to the Actions, PrimeWest is the plaintiff in a number of foreclosure proceedings and a claim against an appraiser and mortgage broker in QBG No. 1815 of 2017. A copy of PrimeWest's statement of claim in the latter proceedings is attached as **Exhibit "Q."**

## V. REASONS FOR SEEKING COURT SUPERVISION

43. PrimeWest is seeking Court supervision of the liquidation and dissolution of the Corporation for the following reasons:

(a) the application is contemplated by section 4.2 of the Liquidation Plan, which was approved by Special Resolution of the shareholders;

(b) there have been no allegations of fraud or bad faith in respect of the Special Resolution (or otherwise);

(c) section 4.3(k) of the Liquidation Plan imposes an obligation on the Liquidator to establish and implement a Claims Process for the identification, resolution, and barring of Claims, the implementation and efficacy of which requires further orders of the Court;

(d) Court supervision will facilitate the Liquidator's ability to implement all aspects of the Liquidation Plan; and

(e) Court supervision will also avoid the potential for a multiplicity of proceedings by providing a mechanism to enforce the Liquidation Plan against third parties and resolve any dispute with respect to the:

(i) validity, scope, and exercise of the Liquidator's powers;

(ii) possession of or title to any assets of the Corporation;

(iii) the approval of the Liquidator and its counsel's accounts;

(iv) removal of the Liquidator or an Inspector; and

(v) any other dispute or matter arising from the liquidation;

(f) Court supervision of the process will provide additional transparency for the benefit of the shareholders.

44. For these reasons, I swear this affidavit in support of the application before this Honourable Court.

SWORN BEFORE ME at the City of Saskatoon, in the Province of Saskatchewan, this 9th day of October, 2019. )

A COMMISSIONER FOR OATHS for Saskatchewan
- Being a Solicitor.

**MARLENE KAMINSKY**

**CONTACT INFORMATION AND ADDRESS FOR SERVICE:**


| | |
|---|---|
| Name of firm: | McDougall Gauley LLP |
| Name of lawyer in charge of file: | Ian A. Sutherland / Craig Frith |
| Address of legal firm: | 500-616 Main Street<br>Saskatoon, SK S7H 0J6 |
| Telephone / Fax number: | (306) 665-5417 / (306) 652-1323 |
| Email address: | isutherland@mcdougallgauley.com<br>cfrith@mcdougallgauley.com |

# TAB A

THIS IS EXHIBIT "A" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

Information Services Corporation™

Saskatchewan
Corporate Registry

# Profile Report



Report Date: 08-Oct-2019

Entity Number: 101067775

Entity Name: PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## Entity Details

| | |
|---|---|
| Entity Type | Business Corporation |
| Entity Subtype | Saskatchewan Corporation |
| Entity Status | Active |
| Incorporation Date | 22-Mar-2005 |
| Annual Return Due Date | 30-Apr-2020 |
| Nature of Business | MORTGAGE INVESTMENT CORPORATION |

## Registered Office/Mailing Address

| | |
|---|---|
| Physical Address | 1000 - 2002 VICTORIA AVENUE, REGINA, Saskatchewan, Canada, S4P0R7 |
| Attention To | NICOLE L. K. HAMM |
| Mailing Address | PRIMEWEST MORTGAGE INVESTMENT CORPORATION, 307 JESSOP AVENUE, SASKATOON, Saskatchewan, Canada, S7N 1Y5 |

## Directors/Officers

**FRANCIS BAST (Director)**

| | | | |
|---|---|---|---|
| Physical Address: | 1115 WASCANA HIGHLANDS, REGINA, Saskatchewan, Canada, S4V2K5 | Resident Canadian: | Yes |
| Mailing Address: | 1115 WASCANA HIGHLANDS, REGINA, Saskatchewan, Canada, S4V2K5 | | |
| | | Effective Date: | 29-Jul-2005 |

**TOM ARCHIBALD (Director)**

| | | | |
|---|---|---|---|
| Physical Address: | 615 FORSYTH CRESCENT, SASKATOON, Saskatchewan, Canada, S7N4J3 | Resident Canadian: | Yes |
| Mailing Address: | 615 FORSYTH CRESCENT, SASKATOON, Saskatchewan, Canada, S7N4J3 | | |
| | | Effective Date: | 30-May-2007 |

Entity Number: 101067775

Entity Name: PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Report Date: 08-Oct-2019

**TOM ROBINSON (Director)**

| | | | |
|---|---|---|---|
| Physical Address: | #214 - 1220 BLACKFOOT DRIVE, REGINA, Saskatchewan, Canada, S4S 6T2 | Resident Canadian: | Yes |
| Mailing Address: | #214 - 1220 BLACKFOOT DRIVE, REGINA, Saskatchewan, Canada, S4S 6T2 | | |
| | | Effective Date: | 08-Jun-2016 |

**WILSON OLIVE (Director)**

| | | | |
|---|---|---|---|
| Physical Address: | 1000-2002 VICTORIA AVE, REGINA, Saskatchewan, Canada, S4P 0R7 | Resident Canadian: | Yes |
| Mailing Address: | 1000-2002 VICTORIA AVE, REGINA, Saskatchewan, Canada, S4P 0R7 | | |
| | | Effective Date: | 22-Aug-2016 |

**MARLENE KAMINSKY (Officer)**

| | | | |
|---|---|---|---|
| Physical Address: | 700 - 750 SPADINA CRESCENT E., SASKATOON, Saskatchewan, Canada, S7K 3H3 | | |
| Mailing Address: | 700 - 750 SPADINA CRESCENT E., SASKATOON, Saskatchewan, Canada, S7K 3H3 | Office Held: | INTERIM CHIEF EXECUTIVE OFFICER |
| | | Effective Date: | 15-May-2017 |

## Shareholders

| Shareholder Name | Mailing Address | Share Class | Shares Held |
|---|---|---|---|
| COMPUTERSHARE TRUST COMPANY OF CANADA | 600, 530 8TH AVENUE SW, CALGARY, ALBERTA, CANADA, T2P3S8 | A | 1,890,729 |

## Articles

Minimum Number of Directors: 3 Maximum Number of Directors: 10

**Share Structure:**

| Class Name | Voting Rights | Authorized Number | Number Issued |
|---|---|---|---|
| A | Yes | Unlimited | 1,890,729 |

Information™ Services Corporation

# Profile Report



Entity Number: 101067775

Entity Name: PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Report Date: 08-Oct-2019

| | | |
|---|---|---|
| B | No | Unlimited |

## Event History

| Type | Date |
|---|---|
| Business Corporation - Annual Return | 30-Apr-2019 |
| Notice of Change of Registered Office/Mailing Address | 06-Sep-2018 |
| Business Corporation - Annual Return | 30-Apr-2018 |
| Notice of Change of Directors/Officers | 30-Apr-2018 |
| Business Corporation - Annual Return | 27-Apr-2017 |
| Notice of Shareholders | 27-Apr-2017 |
| Notice of Change of Directors/Officers | 27-Apr-2017 |
| Notice of Change of Directors/Officers | 25-Jan-2017 |
| Notice of Change of Directors/Officers | 10-Jun-2016 |
| Business Corporation - Annual Return | 27-Apr-2016 |
| Notice of Change of Registered Office/Mailing Address | 07-Dec-2015 |
| Business Corporation - Annual Return | 28-Apr-2015 |
| Business Corporation - Amend Articles | 29-Jul-2014 |
| Business Corporation - Annual Return | 30-Apr-2014 |
| Business Corporation - Amend Articles | 03-Jan-2014 |
| Business Corporation - Annual Return | 29-Apr-2013 |
| Business Corporation - Annual Return | 26-Apr-2012 |
| Business Corporation - Annual Return | 28-Apr-2011 |
| Notice of Shareholders | 12-Apr-2011 |
| Business Corporation - Amend Articles | 20-Jul-2010 |
| Business Corporation - Annual Return | 28-Apr-2010 |
| Notice of Change of Directors/Officers | 21-Oct-2009 |
| Notice of Change of Directors/Officers | 17-Jun-2009 |
| Business Corporation - Annual Return | 30-Mar-2009 |
| Notice of Change of Registered Office/Mailing Address | 26-Jan-2009 |
| Notice of Change of Registered Office/Mailing Address | 11-Jul-2008 |
| Notice of Change of Registered Office/Mailing Address | 27-Jun-2008 |
| Notice of Change of Directors/Officers | 15-May-2008 |
| Business Corporation - Annual Return | 30-Apr-2008 |
| Notice of Change of Directors/Officers | 31-May-2007 |

Information™ Services Corporation

# Profile Report



Entity Number: 101067775

Entity Name: PRIMEWEST MORTGAGE INVESTMENT CORPORATION

Report Date: 08-Oct-2019

| | |
|---|---|
| Business Corporation - Annual Return | 26-Apr-2007 |
| Notice of Change of Directors/Officers | 17-Jan-2007 |
| Notice of Change of Directors/Officers | 28-Dec-2006 |
| Notice of Change of Directors/Officers | 10-Jul-2006 |
| Notice of Shareholders | 10-Jul-2006 |
| Notice of Change of Directors/Officers | 10-May-2006 |
| Notice of Shareholders | 09-May-2006 |
| Business Corporation - Annual Return | 21-Apr-2006 |
| Notice of Change of Directors/Officers | 03-Apr-2006 |
| Business Corporation - Amend Articles | 02-Aug-2005 |
| Notice of Change of Directors/Officers | 02-Aug-2005 |
| Business Corporation - Incorporation | 22-Mar-2005 |

# TAB B

# QUEEN'S BENCH FOR SASKATCHEWAN

Citation: **2016 SKQB 382**

Date: **2016 11 22**
Docket: QBG 1333 of 2016
Judicial Centre: Saskatoon

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BETWEEN:

FRANCIS BAST, TOM ROBINSON, THOMAS ARCHIBALD, DOUG FRONDALL, WILSON OLIVE and PRIMEWEST MORTGAGE INVESTMENT CORPORATION

APPLICANTS

- and -

DONALD ZEALAND, JAMES HARRIS, DEB LAMBERT OTTO GUDEHUS, HEIDE GUDEHUS, DEBBIE L. VASS, CORE MASTER INC., B & E TRUCKING LTD., MDK HEATCOAT INVESTMENTS LTD., JOHN MacMICHAEL, LORNE ROSE CONSULTING SERVICES LTD., 101160156 SASKATCHEWAN LTD., MILES FORSBERG, GRANITE ENTERPRISES LTD. and GREGORY WATKINS

RESPONDENTS

THIS IS EXHIBIT "B" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

**Counsel:**

| | |
|---|---|
| Jeffrey M. Lee, Q.C. and Christina M. Kerby | for the applicants |
| David M.A. Stack, Q.C. and Dean C. Stanley | for Donald Zealand |
| David G. MacKay | for James Harris |

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JUDGMENT
November 22, 2016

R.S. SMITH J.

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**Introduction**

[1] The individual applicants represent the board of directors of the applicant PrimeWest Mortgage Investment Corporation [PrimeWest]. It is a mortgage company servicing clientele that would not normally qualify to obtain a mortgage from conventional lenders.

[2] The respondent Donald Zealand is the former CEO of PrimeWest. The respondent Deb Lambert was contracted as a consultant by PrimeWest through the former CEO, Donald Zealand. The respondent James Harris is an investment dealer and a shareholder of PrimeWest. The balance of the respondents are shareholders of PrimeWest who are, for the most part, clients of James Harris and seen by the applicants as shareholders unhappy with the current board of directors [dissident shareholders].

[3] The applicants seek an order under ss. 222 and 223 of *The Business Corporations Act*, RSS 1978, c B-10, of Saskatchewan [*SBCA*]. Specifically, they seek the appointment of an inspector to investigate the conduct of Mr. Zealand, Mr. Harris and Ms. Lambert in relation to a plan concocted among them to unseat the applicants as board of directors and also investigate alleged breaches of PrimeWest's lending guidelines by Mr. Zealand.

[4] There is currently a shareholders meeting scheduled for December 15, 2016, and the applicants also seek an order postponing that in order to accommodate the preparation of an inspector's report under ss. 222 and 223.

[5] Incidental to the anticipated shareholders meeting, the dissident shareholders have been requesting from PrimeWest what is referred to as a "basic

list" of shareholders, no doubt in order to allow them to contact the shareholders with respect to the debate at the upcoming shareholders meeting.

**Background**

[6] The applicants allege that Mr. Zealand and Mr. Harris engaged in conduct with the goal of replacing them as the board of directors of PrimeWest.

[7] The applicants assert that Mr. Zealand contracted with Ms. Lambert, on behalf of PrimeWest and without proper authority to do so, to provide consulting and clerical services in aid of the scheme to unseat the board.

[8] The focus of Ms. Lambert's activities were with respect to the dissident shareholders who were clients of Mr. Harris. She worked with Mr. Harris to obtain the necessary proxies from them and to provide same to Mr. Harris with the eventual goal of him determining, at the shareholders meeting scheduled for June 8, 2016, who would be elected to the board of directors.

[9] The applicants submit that Mr. Zealand, Ms. Lambert and Mr. Harris acted in concert and covertly with a view to obtaining control of PrimeWest by electing the board of directors at the shareholders meeting to be held on June 8, 2016.

[10] In due course the plan of Zealand, Harris and Lambert was unearthed. Two directors of PrimeWest confronted Mr. Zealand about the plan in his office on or about June 6, 2016. Suffice it to say, the meeting did not go smoothly. Mr. Zealand was terminated, that day, as CEO of PrimeWest.

[11] Although it would appear, through Ms. Lambert's efforts, Mr. Harris held the anticipated proxies, he did not attend the PrimeWest shareholders meeting on

June 8, 2016, and the individual applicants maintained their position as the board of directors at PrimeWest.

[12] Mr. Zealand has commenced an action against PrimeWest for wrongful dismissal. PrimeWest says it has cause not only based on his working covertly with Mr. Harris to vote out the board, but also in his capacity as CEO he granted loans outside of the guidelines of the corporation.

[13] The relief sought by the applicants is set out in their amended originating notice commencing at paragraph 27.

> 27. An Order pursuant to sections 222, 223 and 241 of the SBCA:
>
> a. appointing an Inspector under sections 222, 223 and 241 of the SBCA to investigate and to prepare and deliver a report to PrimeWest, the PrimeWest shareholders and to the Court regarding the Alleged Zealand & Harris Plan, the Alleged Zealand & Harris Acts & Omissions and the Alleged Breaches of Lending Guidelines (the "**Proposed Inspector's Report**");
>
> b. directing that PrimeWest and its directors and shareholders refrain from conducting any meeting of PrimeWest shareholders (including, without limitation, the December 15 Shareholders Meeting) until such time as the Proposed Inspector's Report has been prepared, filed with the Court and delivered to PrimeWest and its shareholders;
>
> c. providing the advice and directions of this Honourable Court regarding whether and to what extent, in the unique circumstances of this case, it is necessary or appropriate for PrimeWest and the Applicants to respond to the October 21 McKercher Basic List Request.
>
> ...

[14] The respondents complain that there is no need for the cost and delay that the appointment of an inspector would entail. The applicants are in complete control of PrimeWest and are able to conduct their own investigation and engage, if they choose, in their own litigation. They maintain that the applicants' request is misplaced and not grounded in law.

**The Law**

[15] The germane portions of sections 222 and 223 of the *SBCA* provide:

> 222(1) A security holder or the Director may apply, ex parte or upon such notice as the court may require, to a court having jurisdiction in the place where the corporation has its registered office for an order directing an investigation to be made of the corporation and any of its affiliated corporations.
>
> Grounds
>
> (2) If, upon an application under subsection (1), it appears to the court that:
>
> > (a) the business of the corporation or any of its affiliates is or has been carried on with intent to defraud any person;
> >
> > (b) the business or affairs of the corporation or any of its affiliates are or have been carried on or conducted, or the powers of the directors are or have been exercised in a manner that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of a security holder;
> >
> > (c) the corporation or any of its affiliates was formed for a fraudulent or unlawful purpose or is to be dissolved for a fraudulent or unlawful purpose; or
> >
> > (d) persons concerned with the formation, business or affairs of the corporation or any of its affiliates have in connection therewith acted fraudulently or dishonestly;
>
> the court may order an investigation to be made of the corporation and any of its affiliated corporations.

...

223(1) In connection with an investigation under this Division, the court may make any order it thinks fit including, without limiting the generality of the foregoing:

(a) an order to investigate;

(b) an order appointing an inspector, who may be the Director, fixing the remuneration of an inspector, and replacing an inspector;

(c) an order determining the notice to be given to any interested person, or dispensing with notice to any person;

(d) an order authorizing an inspector to enter any premises in which the court is satisfied there might be relevant information, and to examine any thing and make copies of any document or record found on the premises;

(e) an order requiring any person to produce documents or records to the inspector;

(f) an order authorizing an inspector to conduct a hearing, administer oaths and examine any person upon oath, and prescribing rules for the conduct of the hearing;

(g) an order requiring any person to attend a hearing conducted by an inspector and to given evidence upon oath;

(h) an order giving directions to an inspector or any interested person on any matter arising in the investigation;

(i) an order requiring an inspector to make an interim or final report to the court;

(j) an order determining whether a report of an inspector should be published and, if so, ordering the Director to publish the report in whole or in part or to send copies to any person the court designates;

(k) an order requiring an inspector to discontinue an investigation;

> (l) an order requiring the corporation to pay the costs of the investigation.

[16] The Province of Alberta has similar provisions in its legislation, and their purpose was discussed in *Western Canadian Oil Management Services Inc. v Arlyn Enterprises Ltd.*, 2008 ABQB 521, 456 AR 281 [*Western Canadian Oil Management*]. In that case, the Court allowed at para. 85:

> 85 In discussing the purpose and principles behind corporate investigations, the *Dickerson Report* (R. Dickerson et. al., *Proposals for a New Business Corporations Law for Canada*, vol. 1 (Ottawa: Information Canada, 1971)), at para. 464 states:
>
> > The system of inspection is designed to serve two purposes. First, it is a valuable weapon in the armoury available to shareholders as a protection against mismanagement ... it will almost certainly be true in many cases that even the most sophisticated litigative weapons will be valueless for lack of information as to the details of suspected mismanagement. That information is, by its very nature, likely to be known by the suspected wrongdoers and unlikely to be known or voluntarily disclosed to those seeking to complain of the suspected wrongdoing. Accordingly, we have provided in [s. 229(2)] that if an applicant can satisfy the court that there are circumstances suggesting wrongdoing, an investigation order may be made in aid of litigation.

[17] In *Trackcom Systems International Inc. v Trackcom Systems Inc.*, 2014 QCCA 1136, the Quebec Court of Appeal posited a three-prong test to determine where such an order is appropriate. Starting at para. 53 the Court allowed:

> [53] First, the judge must be satisfied that the application is made by a security holder or the Director.
>
> [54] Second, the judge must be satisfied that one of the situation listed in subsection 229(2) has been established *prima facie* (in particular, the carrying on of the business of the corporation fraudulently or dishonestly, or with the intent to

> defraud, or for a fraudulent or unlawful purpose, or in a manner that is oppressive or unfairly prejudicial, or that unfairly disregards the interest of a security holder).
>
> [55] Third, the judge must consider the appropriateness of the investigation, bearing in mind its usefulness and reasonableness under the circumstances, with due consideration to its expected costs and benefits.

[18] Justice Gerein had occasion to reflect upon this section in *Phoenix Resources Inc. v 617039 Saskatchewan Ltd.* (1998), 176 Sask R 242 (QB).

[19] It is fair to say Justice Gerein approached the section cautiously. He denied to make the order because, as he set out at para. 17:

> 17 In the instant case the applicant, Theresa Yannacoulias, has been responsible for the daily management of Phoenix Resources Inc.; she has control of all corporate documents; and she has knowledge of the alleged misconduct. As to the last, she has a copy of the impugned agreement for sale and the financial records as to the withdrawals from the corporate bank account. In any event, there is no denial of the stated events. I fail to see what more an investigation will unfold. What remains to be done is to ascertain whether there was a legal basis for the actions and, if not, what remedy is appropriate. Neither question will be answered through an investigation. It will be accomplished only through a different procedure. See *Re Royal Trustco Ltd. et al.* (No. 3) (1981), 14 B.L.R. 307 (Ont. H.C.).

[20] In *Western Canadian Oil Management* the Court observed that an order for investigation, such as the one requested by the applicants, is extraordinary and discretionary. The Court opined at para. 98:

> 98 The Respondents also rely on *Archmetal Industries Corp. v. Jag Flocomponents (North America) Inc.* [2004] A.J. No. 1016, 2004 ABQB 662, starting at para. 11:

What does concern me about this application, is the purpose that it would serve. The primary purpose of an investigation is "to bring to light facts which otherwise might be inaccessible to shareholders and security holders"- *Re First Investors*, [1988] A.J. No. 244 at page 9 (Q.B.).

The application to appoint an Inspector may be refused if the court finds no additional facts need to be brought out, and that the issues raised in the case are better disposed of in litigation between the parties, where rights can be determined, rather than in an investigation which cannot determine rights - *Canada v. Royal Trustco Ltd.*, [1981] O.J. No. 252 (H.C.) at paragraphs 7 and 13.

The purpose of the order appointing an Inspector is to allow the Applicant access to further information so that the Applicant may decide if it has enough information to commence legal proceedings, but in the present case legal proceedings have already begun and these legal proceedings will essentially address the very issues that the Inspector would purport to examine.

Whatever deficiencies remain with respect to the knowledge between these parties, can be dealt with during the course of the litigation process by way of discoveries or other remedies. As my colleague Veit J. stated in *Storey v. 420708 Alberta Ltd.*, [2000] A.J. No. 1382 at paragraph 25: -

There would be no advantage, on the facts of this application, to appoint an investigator to look into issues that will actually be tried and determined in this court. The trial Judge will determine these issues based on the evidence that will be produced in this trial.

The purpose of appointing Inspectors is not to determine fraud, but rather its purpose is to determine facts - *Phoenix Resources Inc. v. 617039 Saskatchewan Ltd.*, [1998] S.J. No. 655 at paragraph 16 (Q.B.).

To appoint an Inspector in the present circumstances where the financial interests and the corporations themselves are only of moderate stature and strength, would put the

> Applicant at a very significant advantage vis-à-vis the Respondents strategically and tactically, for what appears to be no useful purpose otherwise. The appointment of an Inspector in these circumstances may even cause financial ruin for the Respondents given the relatively open-ended nature of the expenses that may be run up at their expense by the Inspector.
>
> The appointment of an Inspector should not be used as a tool in a civil action. The Applicant can retain accounting and other financial experts to assist, but it should not expect an Inspector to perform that function at the expense of the Respondents. The appointment of an Inspector is a drastic and extraordinary remedy. The court should not intervene in the affairs of private corporations through the appointment of an Inspector except in the clearest of cases.

[21] Later on the Court added another note of caution. It stated at para. 114:

> 114 On the facts before me I find that the Applicants have sufficient material on which to decide whether or not to commence legal proceedings. The Court in *Royal Trustco Ltd.* noted that an investigation may be an improper remedy when the complainant already possesses enough information to determine whether to take legal proceedings. The Court in *Archmetal* similarly held that the purpose of appointing an inspector is to allow an applicant access to further information in order to decide if it has enough information to commence proceedings. Likewise, in *First Investors Corp.*, the Court held that the primary purpose of an investigation is to bring to light facts which may be otherwise inaccessible to shareholders or security holders.

**Standing**

[22] The respondents took some objection to the standing of all of the applicants. Only Francis Bast, Thomas Archibald and Doug Frondall are shareholders. In my view it is well established that a shareholder is a "security holder" as contemplated by s. 222(1) and therefore has standing to bring such an application.

[23] Counsel for the applicants indicated that he included the other applicants, Tom Robinson and Wilson Olive, as they constituted the balance of the board of directors and he wanted to make it clear that the entirety of the board of directors of PrimeWest wanted an investigation.

[24] I observe that it is somewhat anomalous for PrimeWest to be one of the applicants. Typically, the company in question is the focus of the application. Section 222(2) provides that the Court may order an investigation "to be made of the corporation". Distilled to its essence, in this case PrimeWest seeks an order that there be an investigation of itself. *Prima facie*, this seems inconsistent with the purpose of the section.

[25] From my perspective, ss. 222 and 223 are created to protect a security holder of the corporation who is not in possession of the levers of power and authority of that corporation. If the security holder makes out a case that the corporation is operating in such a fashion so as to prejudice that security holder, an investigation may be an appropriate tool to be granted by the Court.

[26] In the instant case, the individual applicants are in complete control of PrimeWest and its records both relating to past conduct and ongoing business. This engages the question as to whether is it appropriate for the Court to grant an order under ss. 222 and 223.

**Analysis**

[27] The applicants seek an order directing an investigation of the plans by Mr. Zealand, Mr. Harris and Ms. Lambert to take control of the board of directors of PrimeWest. We know that Mr. Zealand's participation in such a plan was discovered,

and his employment has been terminated. Ms. Lambert's contract has expired, and she appears completely out of the picture. Mr. Harris remains a shareholder of PrimeWest, although perhaps not a happy one.

[28] We know the plan hatched by Messrs. Harris and Zealand and Ms. Lambert did not succeed. Mr. Harris did not even attend the June 8 meeting. If there is to be debate, it will be at the December 15, 2016 meeting.

[29] The applicants are in complete control of PrimeWest's ongoing business and their records. If Mr. Zealand decides to pursue his wrongful dismissal action against it, it will have a full opportunity to examine him on both his plans to defeat the board and the allegations respecting lending outside of company guidelines.

[30] As stated, in my view, PrimeWest has made out a *prima facie* case against Mr. Zealand in that he was conspiring to change the board. With respect to the allegations about improper lending practices, suffice it to say the evidentiary landscape is opaque.

[31] Counsel for the applicants, Mr. Lee, argues strenuously that a report from a court-appointed, independent investigator would be extremely helpful to the shareholders in making the decision they will likely have to make at the next shareholders meeting.

[32] Mr. Lee is of the view that Mr. Harris and the dissident shareholders will attempt to take control of the board and rehire Mr. Zealand. Mr. Lee wants the report from the court-appointed investigator to help prevent that outcome. Respectfully, I am uncertain that it is the duty of the Court to assist one side in making their case in a rancorous shareholder debate.

[33] This is not a situation where a stakeholder or security holder is on the outside of a corporation where things are being done to his or her detriment and there is uncertainty as to the specifics of the things being done. In such a case perhaps a court-appointed investigator is appropriate. Respectfully, the facts here do not remotely approach that threshold.

[34] The applicants are in complete control of PrimeWest's current circumstances and are able to investigate the past as they see fit. If they face a risk, it is what will take place at the next shareholders meeting. Such are the vicissitudes of business. It is for the shareholders to sort out how they wish PrimeWest to move forward.

[35] Accordingly, I dismiss the within application brought under ss. 222 and 223 of the *SBCA*.

[36] As an incident to that dismissal, I decline the applicants' request that I order the directors and shareholders refrain from conducting the PrimeWest shareholders meeting on December 15, 2016. There will be no such order.

[37] There was a third item of relief requested by the applicants relating to s. 21(3) of the *SBCA*. That section provides:

> 21 ...
>
> (3) Shareholders and creditors of a corporation, their agents and legal representatives, the Director and, where the corporation is a distributing corporation, any other person, upon payment of a reasonable fee and upon sending to a corporation or its agent the affidavit referred to in subsection (7), may upon application require the corporation or its agent to furnish within ten days from the receipt of the affidavit and fee a list, in this section referred to as the "basic list", made up to a date not more than ten days before the date of receipt of the

> affidavit and fee setting out the names of the shareholders of the corporation, the number of shares owned by each shareholder and the address of each shareholder as shown on the records of the corporation.

[38] The applicants suggest that there are unique circumstances in this case such that PrimeWest should be relieved of the above statutory obligation. In short, I suspect they would like to prevent the dissident shareholders from having an opportunity to make their case to all the shareholders. Respectfully, that is not unique. Shareholders have disagreements. That is why they have shareholders meetings – in order to resolve them. The applicants should comply with their obligation under s. 21(3).

*Costs*

[39] I leave it to the parties to determine if they can agree on the costs to be awarded to the respondents. If they cannot, then they should contact the Registrar to make arrangements to set aside a time and place to argue the issue of costs.



J.
R.S. SMITH

# TAB C

PrimeWest
Mortgage Investment Corporation

#700 - 750 Spadina Crescent East, Saskatoon, SK S7K 3H3
Phone: 306.955.1002 Fax: 306.955.9511 Toll Free: 888.955.1002 www.primewest.ca

THIS IS EXHIBIT "C" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

**September 20, 2016**
**Saskatoon, Saskatchewan**

**FOR IMMEDIATE RELEASE**

**Amended and Restated Press Release - PrimeWest Mortgage Investment Corporation announces initial results of loan portfolio review.**

Saskatoon, September 20, 2016/CNW/ – PrimeWest Mortgage Investment Corporation ("**PrimeWest**" or the "**Corporation**") PrimeWest announced today that the management review of the mortgage loan portfolio since June 2016 has revealed that lack of adequate security, failure to follow loan policies and guidelines and the withholding and/or provision of wrongful information to the Board and Board Committees by the former CEO, has resulted in loan loss provisions being established in August 2016 in the sum of $806,000 and then increased on September 15, 2016 by $1,385,000 to a total of $2,192,100. Due to the severity of these issues the Board will pursue a formal investigation into the improprieties surrounding the former CEO of the Corporation.

The Board has suspended the declaration of dividends for 2016, and the July 31, 2016 retractions have been set over until the next redemption period in April 2017. The Board has established with the new Management enhanced reporting and new measures of accountability, and efforts are now ongoing to ensure new mortgage loans will return proper results and profitability to the Corporation.

**About PrimeWest**

PrimeWest was incorporated as a Mortgage Investment Corporation in 2005 and is based in Saskatoon, Saskatchewan. PrimeWest is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The Corporation's Class A common shares are listed for trading on the Canadian Securities Exchange under symbol PRI.

The securities offered have not been registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

**FOR FURTHER INFORMATION CONTACT:**

Brad Penno, Chief Executive Officer
PrimeWest Mortgage Investment Corporation
Telephone No. (306) 955 1002
E-mail: bpenno@primewest.ca
Visit our website: www.primewest.ca

PrimeWest
Mortgage Investment Corporation

#700 - 750 Spadina Crescent East, Saskatoon, SK S7K 3H3
Phone: 306.955.1002 Fax: 306.955.9511 Toll Free: 888.955.1002 www.primewest.ca

**November 15, 2016**
**Saskatoon, Saskatchewan**

**FOR IMMEDIATE RELEASE**

**PrimeWest Mortgage Investment Corporation provides an update effective November 15, 2016**

Saskatoon, November 15, 2016/CNW/ – PrimeWest Mortgage Investment Corporation ("**PrimeWest**" or the "**Corporation**") announced today that its Court application to have a third party Inspector appointed by the Court was argued before the Queen's Bench Court, Saskatoon on November 10, 2016 with the decision to be rendered by Judge S. Smith the week of November 21, 2016.

The ongoing review of the Corporation's mortgage portfolio has revealed a further increase in loan loss provisions in the sum of $2,086,000.00 bringing loan loss provisions to $4,278,000. This increase continues to arise from the wrongful actions of the former CEO, with one large commercial mortgage resulting in a substantial portion of the additional loss.

The Corporation, as part of its governance framework has adopted a Shareholders Engagement Policy which is filed on Sedar and which will be placed on the Corporation's website. A Shareholders Information Bulletin, published for the November 2016 period contains updated information on the Corporation's activities. The highlights of the Information Bulletin include:

- Foreclosure has been initiated on 14 non-performing mortgages.
- Property realizations and mortgage recoveries for the period June/2016 to November/2016 have returned $1,875,000.00 to the Corporation.
- Additional loan loss provisions of $2,086,000.00 have been made, with losses continuing to arise due to the wrongful actions of the former CEO. A substantial portion of the increased loan loss provision arises from a commercial mortgage where inadequate security was obtained.
- Interest revenue and fees are being earned from performing assets and expenses are being limited so as to maximize earnings to the Corporation.
- Notice of Claim has been made to the Corporation's insurer.
- Action and insurance claims are being initiated as against a rogue mortgage broker.
- An application for a Court Appointed Inspector to review past mortgage lending practices has been made to the Queen's Bench Court and the decision of Judge S. Smith is to be rendered the week of November 21, 2016.
- The Board of Directors has implemented a Shareholder Engagement Policy which is focused on providing timely information to shareholders. It is intended that shareholder dialogue occur, as a supplement and not as a replacement or substitute for disclosure that occurs under National Instrument 45-102 and under the Canadian Securities Exchange filings.

**About PrimeWest**

PrimeWest was incorporated as a Mortgage Investment Corporation in 2005 and is based in Saskatoon, Saskatchewan. PrimeWest is a reporting issuer in the Provinces of British Columbia, Alberta,

Saskatchewan, Manitoba and Ontario. The Corporation's Class A common shares are listed for trading on the Canadian Securities Exchange under symbol PRI.

**FOR FURTHER INFORMATION CONTACT:**

Brad Penno, Chief Executive Officer
PrimeWest Mortgage Investment Corporation
Telephone No. (306) 955 1002
E-mail: bpenno@primewest.ca
Visit our website: www.primewest.ca

# TAB D

PrimeWest
Mortgage Investment Corporation

#700 - 750 Spadina Crescent East, Saskatoon, SK S7K 3H3
Phone: 306.955.1002 Fax: 306.955.0511 Toll Free: 888.955.1002 www.primewest.ca

THIS IS EXHIBIT "D" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

**April 3, 2017**
**Saskatoon, Saskatchewan**

**FOR IMMEDIATE RELEASE**

**PrimeWest Mortgage Investment Corporation files its December 31, 2016 audited financial statements**

Saskatoon, April 3, 2017/CNW/ – PrimeWest Mortgage Investment Corporation ("**PrimeWest**" or the "**Corporation**") announced that the audited December 31, 2016 financial statements have been released together with the Audit Report provided by Ernest & Young LLP, auditors of the Corporation. The financial statements include restated previously reported 2015 Statement of Financial Position and 2015 Statement of Comprehensive Income and an adjustment to 2015 opening retained earnings.

During the year ended December 31, 2016, the Corporation's new management performed a detailed review of its mortgage portfolio. The Corporation determined that certain loss events occurred in prior periods that should have more properly been considered in determining the specific allowance for mortgage losses at December 31, 2015 and 2014. In addition it was determined that the security value assigned to certain mortgages and assets taken in settlement of debt were not appropriate and did not consider facts and circumstances that existed at December 31, 2015 and 2014. The combination of these events also impacted the collective allowance that should have been recorded as of December 31, 2015 and 2014 and were considered as errors in accordance with IFRS. These matters relating to the specific and collective allowance and the valuation of assets taken in settlement of debt have been corrected by restating each of the financial statements line items for the prior periods.

The Corporation has recorded specific allowances for loan losses where impairment indicators have emerged and losses are expected to occur. The cumulative individual specific allowances as recorded in the December 31, 2016 financial statements by year are:

December 31, 2016 - $5,404,882
December 31, 2015 - $2,382,419
December 31, 2014 - $ 252,789

Collective allowances were recorded for incurred loss events for which there is objective evidence but whose effects are not yet evident. The cumulative collective allowances as recorded in the December 31, 2016 financial statements by year are:

December 31, 2016 - $859,554
December 31, 2015 - $720,722
December 31, 2014 - $341,893

The collective allowance, required by IFRS accounting standards, takes account of data from the mortgage portfolio based on analysis of historical data, such as credit quality, level of arrears, historical performance and economic outlook.

The Net Asset Value of the Corporation, as stated in the December 31, 2016 financial statements is $6.50 per share.

First Quarter Events in 2017:

During the first quarter of 2017 the Corporation has continued with loan and asset recoveries with proceeds in the sum of approximately $1,355,000 being received from the sale of 5 foreclosed properties and mortgage payouts. The Corporation is expecting additional proceeds of approximately $795,000 in the next two weeks.

Three large loans exist within the mortgage portfolio, one residential and two commercial, which are being overseen by Management, as payments are in arrears. Efforts are being made to cause these properties to be sold by the mortgagors, with legal steps also being implemented to advance the interests of the Corporation.

As a result of the significant loan losses recorded, all dividends and/or redemptions will continue to be suspended until further notice.

The 2017 shareholders meeting has been set by the Directors to occur on June 8, 2017 in Regina, Saskatchewan.

**About PrimeWest**

PrimeWest was incorporated as a Mortgage Investment Corporation in 2005 and is based in Saskatoon, Saskatchewan. PrimeWest is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The Corporation's Class A common shares are listed for trading on the Canadian Securities Exchange under symbol PRI.
http://thecse.com/en/listings/diversified-industries/primewest-mortgage-investment-corporation

PrimeWest filings can be found on SEDAR at the following link:
http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00025992

**FOR FURTHER INFORMATION CONTACT:**

Brad Penno, Chief Executive Officer
PrimeWest Mortgage Investment Corporation
Telephone No. (306) 955 1002
E-mail: bpenno@primewest.ca
Visit our website: www.primewest.ca

# TAB E

THIS IS EXHIBIT "E" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires: _____
Or being a solicitor.

# FORM 51-102F3

# MATERIAL CHANGE REPORT

## Item 1 Name and Address of Company

PrimeWest Mortgage Investment Corporation
307 Jessop Avenue
Saskatoon, Saskatchewan S7N 1Y5

## Item 2 Date of Material Change

The date the material change report took effect was August 16, 2019, with the date of the material change herein reported being August 20, 2019.

## Item 3 News Release

The News Release was distributed through Canada News Wire on August 20, 2019. A copy of the news release is attached as Schedule "A".

## Item 4 Summary of Material Change

On August 16, 2019, the Board voted to place a proposal before the Corporation's shareholders for the voluntary liquidation and dissolution of the Corporation.

## Item 5 Full Description of Material Change

On August 16, 2019, the Board approved a Liquidation Plan which included KPMG Inc. being appointed as Liquidator. The Liquidation Plan calls for the voluntary liquidation and dissolution of the Corporation. The Board voted to place the Liquidation Plan before the Corporation's shareholders for approval at the Corporation's annual and special meeting on Tuesday, September 24, 2019. The specific details of the Liquidation Plan will be set out in the Corporation's Information Circular which will be circulated to shareholders no later than August 30, 2019. The effective date of the dissolution and distribution of proceeds to shareholders are unknown at this time and will ultimately be determined by the Court of Queen's Bench for Saskatchewan. Once known, the effective date and terms of dissolution will be announced in a subsequent press release.

## Item 6 Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable

## Item 7 Omitted Information

Not applicable

**Item 8 Executive Officer**

Marlene Kaminsky, Interim Chief Executive Officer
PrimeWest Mortgage Investment Corporation
Telephone No. (306) 651-4550
E-mail: mkaminsky@primewest.ca

**Item 9 Date of Report**

August 16, 2019

PrimeWest
Mortgage Investment Corporation

307 Jessop Avenue, Saskatoon, SK S7N 1Y5
Phone: 306.955.1002 Fax: 306.955.9511 Toll Free: 888.955.1002 www.primewest.ca

**August 20, 2019**
**Saskatoon, Saskatchewan**

**FOR IMMEDIATE RELEASE**

**Liquidation Proposed for PrimeWest Mortgage Investment Corporation**

Saskatoon, August 20, 2019/CNW/ – PrimeWest Mortgage Investment Corporation ("**PrimeWest**" or the "**Corporation**") announced today that on August 16, 2019, its Board approved a Liquidation Plan which included KPMG Inc. being appointed as Liquidator. The Liquidation Plan calls for the voluntary liquidation and dissolution of the Corporation. The Liquidation Plan will be put before the Corporation's shareholders at its annual and special meeting on Tuesday, September 24, 2019, for approval. The specific details of the Liquidation Plan will be set out in the Corporation's Information Circular which will be circulated to shareholders no later than August 30, 2019. The effective date of the dissolution and distribution of proceeds to shareholders are unknown at this time and will ultimately be determined by the Court of Queen's Bench for Saskatchewan. Once known, the effective date and terms of dissolution will be announced in a subsequent press release.

**About PrimeWest**

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http://thecse.com/en/listings/diversified-industries/primewest-mortgage-investment-corporation

PrimeWest filings can be found on SEDAR at the following link:
http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00025992

**FOR FURTHER INFORMATION CONTACT:**

Marlene Kaminsky, Interim Chief Executive Officer
PrimeWest Mortgage Investment Corporation
Telephone No. (306) 651-4550
E-mail: mkaminsky@primewest.ca
Visit our website: www.primewest.ca

# TAB F

THIS IS EXHIBIT "F" REFERRED TO IN
THE AFFIDAVIT OF MARLENE KAMINSKY
SWORN BEFORE ME AT SASKATOON,
SASKATCHEWAN THIS 9TH DAY
OF OCTOBER, 2019.

A Commissioner for Oaths in and
for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

PrimeWest
Mortgage Investment Corporation

**INFORMATION CIRCULAR**
**For the Annual and Special Meeting of Shareholders**
**to be held on September 24, 2019**

**This Information Circular is furnished in connection with the solicitation of proxies by the management of PrimeWest Mortgage Investment Corporation for use at the annual and special meeting (the "Meeting") of its Shareholders to be held on September 24, 2019 at the time and place and for the purposes set forth in the accompanying Notice of the Meeting.**

In this Information Circular, references to "**the Corporation**", "**we**", "**our**" and "**PrimeWest**" refer to **PrimeWest Mortgage Investment Corporation.** "**Common Shares**" means Class A common shares without par value in the capital of the Corporation. "**Beneficial Shareholders**" means shareholders who do not hold Common Shares in their own name, and "**intermediaries**" refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders. "**Shareholder**" and "**Registered Shareholder**" means a registered holder of Common Shares on the books and records of the Corporation as at the Record Date.

## GENERAL PROXY INFORMATION

### *Solicitation of Proxies*

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Corporation. The Corporation will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to Beneficial Shareholders of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

## APPOINTMENT OF PROXYHOLDERS

### *General*

The persons named in the accompanying form of proxy are directors and/or officers of the Corporation and are nominees of Management.

**A Shareholder of the Corporation has the right to appoint a person, other than the person designated in the accompanying form of proxy (who need not be a Shareholder of the Corporation, or otherwise entitled to attend and vote at the Meeting) to attend and act for the Shareholder and on the Shareholder's behalf at the meeting.** A Shareholder desiring to appoint some other person may do so either by inserting the desired person's name in the blank space provided for that purpose in the accompanying form of proxy or by completing another proper form of proxy.

*Voting by Proxyholder*

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

(a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
(b) any amendment to or variation of any matter identified therein; and
(c) any other matter that properly comes before the Meeting.

**In respect of a matter for which a choice is not specified in the Proxy, the management appointee acting as a proxyholder will vote in favour of each matter identified on the Proxy and, if applicable, for the nominees of management for directors and auditors as identified in the Proxy.**

*Registered Shareholders*

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered Shareholders who wish to submit a proxy may choose one of the following voting options:

(a) complete, date and sign the Proxy and return it to Computershare, by mail to Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, ON L4B 4R5, at least 48 hours excluding Saturdays, Sundays and holidays) preceding the Meeting or any adjournment thereof. Proxies may be mailed to Computershare at the address indicated above or proxies may be delivered by hand to Computershare, 8th Floor, 100 University Ave., Toronto, ON M5J 2Y1, or by phone at 1-866-732-8683; or
(b) use a touch-tone phone to transmit voting choices to the toll free number given in the proxy. Registered Shareholders who choose this option must follow the instructions of the voice response system and refer to the enclosed proxy form for the toll free number, the holder's account number and the proxy access number; or
(c) via the internet at Computershare's website, www.investorvote.com. Registered Shareholders must follow the instructions provided and refer to the enclosed proxy form for the holder's account number and the proxy access number.

In either case registered Shareholders must ensure the proxy is received at least 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or the adjournment thereof. Failure to complete or deposit a proxy properly may result in its invalidation. The time limit for the deposit of proxies may be waived by the Corporation's board of directors (the "**Board**") at the discretion of the Board without notice.

*Beneficial Shareholders*

**The following information is of significant importance to shareholders who do not hold Common Shares in their own name.** Beneficial Shareholders should note the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Corporation as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the names of intermediaries. In Canada the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial Shareholders: Objecting Beneficial Owners ("**OBOs**") who object to their name being disclosed to the issuers of securities they own; or Non-Objecting Beneficial Owners ("**NOBOs**") who do not object to the issuers of the securities they own knowing who they are.

The Corporation is taking advantage of NI 54-101 provisions permitting it to deliver proxy-related materials directly to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("**VIF**") from Computershare. The VIF is to be completed and returned to Computershare as set out in the instructions provided on the VIF. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs they receive.

These security holder materials are being sent to both registered and non-registered owners of the securities of the Corporation. If you are a non-registered owner, and the Corporation or its agent sent these materials directly to you, your name, address and information about your holdings of securities, were obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf. Please return your VIF as specified in the request for voting instructions that was sent to you.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the proxy provided to registered shareholders by the Corporation. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Corporation. The VIF will name the same persons as the Corporation's Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Corporation), other than any of the persons designated in the VIF, to represent your Common Shares at the Meeting and that person may be you. To exercise this right, insert the name of your desired representative (which may be you) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge in accordance with Broadridge's instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting voting of the Common Shares to be represented at the Meeting and the appointment of any shareholder's representative. **If you receive a VIF from Broadridge, the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted, or to have an alternate representative duly appointed to attend the Meeting and vote your Common Shares at the Meeting.**

## REVOCATION OF PROXIES

Any Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by a Shareholder by depositing a written notice of revocation signed by the Shareholder or the Shareholder's attorney authorized in writing:

(a) at the registered office of the Corporation, at 1000 - 2002 Victoria Avenue, Regina, SK, S4P 0R7, at any time up to and including the close of business on the last business day preceding the day of the Meeting or an adjournment thereof at which the proxy is to be used;

(b) with the Chairperson of the Meeting on the day of the Meeting or an adjournment thereof; or

(c) by signing another proxy bearing a later date and depositing it at Computershare, Proxy Department, 135 West Beaver Creek, P.O. Box 300, Richmond Hill, ON L4B 4R5 or by **hand to Computershare, 8th Floor, 100 University Ave., Toronto, ON M5J 2Y1, or by phone at 1 (866) 732-8683 or on the Web at www.investorvote.com** within the time stated above for delivery of proxies.

## VOTING OF PROXIES

**Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting.** The person appointed as proxy will vote or withhold from voting the shares represented thereby in accordance with the direction of the Shareholder(s) appointing such person. In the absence of such direction, such shares will be voted in favour of or for, as the case may be, the matters identified in the Notice of Annual Meeting accompanying this Information Circular.

The person appointed as proxy also has discretionary authority and may vote the shares represented thereby as such person considers best with respect to amendments or variations to matters identified in the Notice of Meeting or other matters which may properly come before the Meeting. At the date of this Information Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting.

## VOTE BY INTERNET

Shareholders may use the internet site at www.investorvote.com to transmit their voting instructions. Shareholders should have the form of proxy in hand when they access the website and will be prompted to enter their Control Number, which is located on the form of proxy. If Shareholders vote by internet, their vote must be received not later than **3:00 pm (CST) on September 20, 2019** or 48 hours prior to the time of any adjournment of the Meeting (excluding Saturdays, Sundays and statutory holidays). The website may be used to appoint a proxy holder to attend and vote on a Shareholder's behalf at the Meeting and to convey a Shareholder's voting instructions. If a Shareholder subsequently wishes to change their appointment, such Shareholder may resubmit their proxy and/or voting direction prior to the deadline noted above. When resubmitting a proxy, the most recently submitted proxy will be recognized as the only valid one, and all previously submitted proxies will be disregarded and considered as revoked, provided that the last proxy is submitted by the deadline noted above.

## NOTICE AND ACCESS

The Canadian Securities Administrators have adopted amendments to NI 54-101, which allow for the use of the "notice and access" provisions for the delivery of meeting materials.

Under the notice and access provisions, reporting issuers are permitted to deliver the meeting materials by posting them on SEDAR as well as a website other than SEDAR and sending a notice package to each Shareholder receiving the meeting materials under these provisions. The notice package must include: (i) the relevant form of proxy or voting instruction form; (ii) basic information about the meeting and the matters to be voted on, (iii) instructions on how to obtain a paper copy of the meeting materials; and (iv) a plain-language explanation of how the notice and access system operates and how the meeting materials can be accessed online.

The Corporation has elected not to send its meeting materials using the notice and access provisions.

## INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed herein, no Person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting. For the purpose of this paragraph, "Person" shall include each person who: (a) has been a director or executive officer of the corporation at any time since the beginning of the Corporation's last financial year; or (b) who is an associate or affiliate of any person listed in subparagraph (a).

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Board has fixed the close of business on August 16, 2019 as the record date for the Meeting (the "**Record Date**").

The authorized capital of the Corporation consists of an unlimited number of Class A shares ("**Class A Shares**") and an unlimited number of Class B shares ("**Class B Shares**"). Each Class A Share carries the right to one vote at all meetings of the Shareholders of the Corporation and accordingly, Shareholders of record as at the Record Date will be entitled to one vote for each Class A Share held by them. No Class B Shares are outstanding.

The Common Shares of the Corporation are listed on the Canadian Securities Exchange (the "CSE"). The Corporation is authorized to issue an unlimited number of Common Shares. As of the Record Date, there were 1,888,374 Common Shares issued and outstanding, each carrying the right to one vote. No group of Shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

To the knowledge of the directors and executive officers of the Corporation, no person beneficially owns, directly or indirectly, or exercises control or direction over shares carrying more than 10% of the voting rights attached to all shares of the Corporation. CDS & Co hold, as depository for an unknown number of beneficial Shareholders, 1,490,133 Class A Shares representing approximately 78.91% of the outstanding Class A Shares as of the Record Date.

A person who is a Shareholder on the Record Date is entitled to vote his or her shares except to the extent that the person has transferred the ownership of any of his or her shares after the Record Date and the transferee of the shares produces properly endorsed share certificates or otherwise establishes that he or she owns the shares and demands, not later than ten days before the Meeting, that his or her name be included in the list of Shareholders for the Meeting, in which case the transferee is entitled to vote his or her shares at the Meeting.

## BUSINESS TO BE TRANSACTED AT THE MEETING

At this Annual and Special Meeting Shareholders are asked to elect directors, appoint auditors of the Corporation, and as special business to approve a voluntary liquidation and dissolution of the Corporation.

## EXECUTIVE COMPENSATION

### *Named Executive Officers*

In this section "Named Executive Officer" (an "NEO") means the Chief Executive Officer (the "CEO"), and the Chief Financial Officer (the "CFO") as well as any additional individuals for whom disclosure would have been provided under Statement of Executive Compensation Form 51-102F6, except that the individual was not serving as an officer of the Corporation at the end of the most recently completed financial year.

The following disclosure sets out the compensation that the Board intended to pay, make payable, award, grant give or otherwise provide to each NEO and director for the financial year ended December 31, 2018.

### *Compensation Discussion and Analysis*

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation's executive compensation objectives and processes and to discuss compensation decisions relating to its NEOs listed in the Summary Compensation Table that follows. During its fiscal year ended December 31, 2018, the following individuals were NEOs of the Corporation:

- Marlene Kaminsky, CFO and Interim CEO (May 16, 2017 to December 31, 2018);

If the Shareholders approve the Voluntary Liquidation and Dissolution, the Corporation will continue to pay the salary of the Interim CEO and CFO until the Dissolution Date (as defined in the Liquidation Plan referred to below), and potentially thereafter if determined to be required by the Liquidator.

*Summary Compensation Table*

The following table sets forth the compensation for the NEO's for the year ended December 31, 2018 and for each of the preceding two years, as applicable:

| Name and principal position<br><br>(a) | Year<br><br>(b) | Salary/Fees<br>($)<br>(c) | Non-equity incentive plan compensation<br>($)<br>(d) | All other compensation<br>($)<br>(e) | Total Compensation<br>($)<br>(f) |
|---|---|---|---|---|---|
| **Marlene Kaminsky, * CFO / CFO and Interim CEO** | 2018 | $120,000.00 | Nil | Nil | $120,000.00 |
| | 2017 | $114,375.00 | Nil | Nil | $114,375.00 |
| | 2016 | $100,548.83 | Nil | Nil | $100,548.83 |
| **Brad Penno, CEO** | 2017 | $48,589.12 | Nil | Nil | $48,589.12 |
| | 2016 | $43,692.31 | Nil | Nil | $43,692.31 |
| **Don Zealand, CEO** | 2016 | $67,564.17 | $31,246.27 | $1,837.50 | $100,647.94 |

* Effective May 16, 2017 Marlene Kaminsky assumed the additional duties of Chief Executive Officer on an indefinite basis. From June 29, 2016 to the present Marlene Kaminsky CPA, CMA has served as the Chief Financial Officer of the Corporation.

The Corporation employed Brad Penno as Chief Executive Officer from August 22, 2016 until his resignation on May 15, 2017.

The Corporation employed Don Zealand from March 23, 2011 until June 6, 2016 at which time Mr. Zealand was relieved of his duties for insubordination and for failure to adhere to corporate lending policies. Thomas Archibald and Douglas Frondall served as Acting Co-Presidents and Interim Co-CEO's from June 6, 2016 until August 22, 2016 at which time Brad Penno was appointed CEO of the Corporation.

The officers of the Corporation are also entitled to be reimbursed for reasonable out-of-pocket expenses incurred while acting as an officer of the Corporation.

## DIRECTORS COMPENSATION

The following table sets forth the compensation paid to the directors of the Corporation for the year ended December 31, 2018:

| Name<br><br>(a) | Term | Fees earned<br>($)<br>(b) | All other compensation<br>($)<br>(c) | Total<br>($)<br>(d) |
|---|---|---|---|---|
| Tom Robinson [1] | June 8, 2016 to Present | $22,800.00 | Nil | $22,800.00 |
| Thomas Archibald[2][3] | May 2007 to Present | $16,800.00 | Nil | $16,800.00 |
| Francis Bast[1][2] | July 2005 to Present | $19,200.00 | Nil | $19,200.00 |
| Wilson Olive[1][3] | August 22, 2016 to Present | $19,200.00 | Nil | $19,200.00 |

*(1) Member of the Audit Committee*
*(2) Member of the Credit Committee*
*(3) Member of the Corporate Governance & Human Resource Committee*

The members of the Board are entitled to reasonable compensation proportional to the services provided by them to the Corporation. Each member of the Board receives $1,000.00 per month, which is paid to each of them in cash by the Corporation on a monthly basis. The members of the Board are also entitled to be reimbursed for reasonable out-of-pocket expenses incurred while acting as a director of the Corporation. Additional compensation includes $400.00 per month for the Chair of the Audit Committee, Chair of the Credit Committee, Chair of the Governance & Human Resource Committee, and $500.00 per month for the Chair of the Board. Each member of the Corporate Governance Committee, Audit Committee, and Governance & Human Resource Committee receive $200.00 per month. Effective January 1, 2019 compensation to Directors was reduced by 25% as approved by the Board. If the Shareholders approve the Voluntary Liquidation and Dissolution, the payment of Directors fees will end on the Effective Date (as defined in the Liquidation Plan referred to below).

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation, proposed director of the Corporation, or associate or affiliate of any informed person or proposed director, have any material interest, direct or indirect, in any transaction since the commencement of the Corporation's most *recently completed financial year or in any proposed transaction which has materially affected or would* materially affect the Corporation.

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

No indebtedness is owing to the Corporation by any of the Officers or the Directors.

## MANAGEMENT CONTRACTS

There are no management functions of the Corporation, which are to any substantial degree performed by a person or Corporation other than the directors or executive officers of the Corporation.

## ELECTION OF DIRECTORS

The Articles of Incorporation of the Corporation (the "**Articles**") currently provide for a minimum of 3 directors and a maximum of 10 directors, as determined by the Board from time to time. The Board has fixed the number of directors at four with four to be elected at this meeting. If the Shareholders approve the Voluntary Liquidation and Dissolution, the duties of the directors will cease and be vested in the liquidator as of the date of the court appointment.

It is proposed that four (4) directors be elected at this meeting, and the following disclosure sets out the names of management's nominees for election as directors, all major offices and positions with the Corporation each now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a director of the Corporation and the number of Common Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the Record Date.

| Name & Residence of Nominee | Principal Occupation (last 5 years) | Office and period of Service | Class A Shares owned or controlled |
|---|---|---|---|
| Thomas Archibald<br>Saskatoon, SK | President, Eden Health Solutions | Director since May 30, 2007 | 63,807 |
| Francis Bast<br>Regina, SK | Director, Sales and Development, Century West Development (2006) Corporation, President of Century Management and Development Ltd. | Director since July 2005<br>Chair of Credit Committee | 41,417 |
| Wilson Olive<br>Regina, SK | Partner (to 2012) and Counsel at Olive Waller Zinkhan & Waller LLP until June 30, 2016 | Director since August 22, 2016 / Chair of Governance & Human Resource Committee | - |
| Tom Robinson<br>Regina, SK | Retired Chartered Accountant | Director since June 8, 2016<br>Chairman and Chair of Audit Committee | 1,000 |

None of the proposed nominees for election as a director of the Corporation are proposed for election pursuant to any arrangement or understanding between the nominee and any other person, except the directors and senior officers of the Corporation acting solely in such capacity.

## APPOINTMENT OF AUDITOR

KPMG LLP, chartered Accountants, will be nominated at the Meeting for appointment as auditor of the Corporation at remuneration to be fixed by the directors.

## AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") of the Canadian Securities Administrators requires the Corporation, as a venture issuer, to disclose annually in its information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor. Such disclosure is set forth below.

### *The Audit Committee's Charter*

The audit committee has a charter, copy of which is filed on www.sedar.com.

### *Composition of the Audit Committee*

The current members of the audit committee are Tom Robinson, Wilson Olive and Francis Bast. All current members of the audit committee are considered to be independent and to be financially literate.

### *Audit Committee Oversight*

The audit committee has not made any recommendations to the Board to nominate or compensate any auditor other than KPMG LLP.

### *Reliance on Certain Exemptions*

The Corporation's auditor, KPMG LLP, has not provided any material non-audit services.

### *Pre-Approval Policies and Procedures*

The audit committee has adopted specific policies and procedures for the engagement of non-audit services which are set out in the Audit Committee Charter contained in the Information Circular filed on www.sedar.com.

### *External Auditor Service Fees*

The audit committee has reviewed the nature and amount of the services provided by KPMG LLP to the Corporation to ensure auditor independence. Fees incurred with KPMG LLP for audit and non-audit services in the last two fiscal years are outlined in the following table.

| Nature of Services | Fees Paid and/or Accrued to for KPMG LLP Year Ended December 31, 2018 | Fees Paid and/or Accrued to for KPMG LLP Year Ended December 31, 2017 |
|---|---|---|
| Audit Fees [1] | **$ 44,000.00** | **$ 40,000.00** |
| Audit-Related Fees [2] | **$ 9,900.00** | **$ 10,000.00** |
| Tax Fees[3] | **$ 2,800.00** | **$ 2,700.00** |
| All Other Fees[4] | **$ -** | **$ -** |
| Total | **$ 56,700.00** | **$ 52,700.00** |

Notes:
(1) "Audit Fees" include fees necessary to perform the annual audit reviews of the Corporation's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
(4) "All Other Fees" include all other non-audit services.

### *Exemption*

The Corporation is a reporting issuer and relies on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*).

## CORPORATE GOVERNANCE

### *Mandate of the Board of Directors*

The Board has a formal mandate as outlined in the Corporation's Corporate Governance Policies and Procedures Manual (the "**Governance Manual**"). The Governance Manual mandates the Board to: (i) assume responsibility for the overall stewardship and development of the Corporation and monitoring of its business decisions, (ii) identify the principal risks and opportunities of the Corporation's business and ensure the implementation of appropriate systems to manage these risks, (iii) oversee ethical management and succession planning, including appointing, training and monitoring of senior management and directors, and (iv) oversee the integrity of the Corporation's internal financial controls and management information systems. The Governance Manual also includes written charters for each committee and it contains a code of ethics. Further, in the Governance Manual the Board encourages but does not require continuing education for all the Corporation's directors. A copy of the Governance Manual is available prior to the Meeting upon request by contacting the Corporation directly at tel: (306) 955-1002 or fax: (306) 955-9511 or email: info@primewest.ca.

### *Composition of the Board of Directors*

Applicable governance policies require that a listed issuer's board of directors determine the status of each director as independent or not, based upon each director's interest in or other relationship with, the Corporation. Applicable governance policies recommend that a board of directors be constituted with a majority of directors who qualify as independent directors (as defined below). A board of directors should also examine its size with a view to determining the impact of the number of directors upon the effectiveness of the board of directors, and the board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances. The Corporation's policies allow for retention of independent advisors for members of the Board when they consider it advisable.

Under the policies, an "independent" director is one who "has no direct or indirect material relationship" with the Corporation. Generally speaking, a director is independent if he or she is free from any employment, business or other relationship which could, or could reasonably be expected to, materially interfere with the exercise of the director's independent judgement. A material relationship includes having been (or having a family member who has been) within the last three years an employee or executive of the Corporation or employed by the Corporation's external auditor. Any individual who (or whose family members or partners) received directly or indirectly, any consulting, advisory, accounting or legal fee or investment banking compensation from the Corporation (other than compensation for acting as a director or as a part time chairman or vice-chairman) is deemed to have a material relationship with the Corporation.

All of the Board nominees for election to the office of director, are to be considered "independent". These nominees will be, if elected, considered independent by virtue of their not being executive officers of the Corporation and having received no compensation other than in their role as directors.

***Directorships***

The Board monitors activities of senior management through regular meetings and discussions amongst the Board and between the Board and senior management. The Board is of the view that its communication policy between senior management, members of the Board and Shareholders is good. The Board is satisfied with the integrity of the Corporation's internal control and financial management information systems.

***Committees of the Board of Directors***

Applicable regulatory governance policies require that (i) committees of the Board be composed of at least a majority of independent directors, (ii) the Board expressly assumes responsibility, or assigns responsibility to a committee of directors for the development of the Corporation's approach to governance issues, (iii) the Board's audit committee be composed of a majority of independent directors, and the role of the audit committee be specifically defined and must include the responsibility to oversee management's system of internal controls and (iv) the audit committee has direct access to the Corporation's external auditor.

***Credit Committee***

The Credit Committee is responsible for reviewing and approving management recommendation for residential and commercial mortgages, and for establishing from time to time guidelines for the manner in which mortgage applications are to be received and advanced for approval within the Corporation.

***Audit Committee***

The Audit Committee is responsible for overseeing the work of the Auditors, to assess major audit risk and to understand the audit strategy that is employed for the Corporation. For further information see *Audit Committee and Relationship with Auditor* within this Information Circular.

***Governance and Human Resource Committee***

The Governance and Human Resource Committee is responsible for developing and recommending the Corporation's approach to corporate governance and assists Board members in carrying out their duties. The Committee also reviews all new and modified rules and policies applicable to governance of listed corporations to assure that the Corporation remains in full compliance with such requirements as are applicable to the Corporation.

The Governance and Human Resource Committee recommends compensation for the directors and executive officers of the Corporation. See further disclosure under *Executive Compensation and Directors Compensation* above.

### *Board of Directors Decisions*

Good governance policies require the Board of a listed corporation, together with its chief executive officer, to develop position descriptions for the Board and for the chief executive officer, including the definition of limits to management's responsibilities. Any responsibility which is not delegated to senior management or to a Board committee remains with the full Board.

### *Recruitment of Directors and Assessment of Board of Directors Performance*

Good governance policies require that (i) the board of directors of every listed corporation implement a process for assessing the effectiveness of the Board and its committees, and the contribution of individual directors, (ii) every corporation provide an orientation and education program for directors, and (iii) every board of directors review the adequacy and form of compensation of directors and ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director.

Please also see *Governance Committee* above.

### *Ethical Business Conduct*

The Board has a formal ethics policy, which is contained in the Governance Manual. The Board also believes that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest are sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

### *Nomination of Directors*

The Board has considered the size of and number of directors it feels is required to effectively address the needs and requirements of the Corporation in 2019. The appointment of four directors, each of whom has different range of views and experience is recommended for election at the annual and special meeting of Shareholders. If the Shareholders approve the Voluntary Liquidation and Dissolution, the duties of the directors will cease and be vested in the liquidator as of the date of the court appointment.

### *Other Board Committees*

There are no committees of the Board other than the Audit Committee, the Credit Committee and the Governance and Human Resource Committee described above.

## ADDITIONAL INFORMATION

### *Financial Information*

Financial information is provided in the audited financial statements of the Corporation for the year ended December 31, 2018 and in the related management discussion and analysis and filed on SEDAR at www.Sedar.com.

*Advance Notice for Director Nominations*

The Corporation's Bylaw No. 3 requires advance notice for nominating directors at an annual meeting so there is a transparent, structured and fair process in the event of a potential proxy contest for the election of directors. The notice must include the name, address, age, principal occupation and certain other information about the nominees. For a summary of Bylaw No. 3, see attached Schedule "A" of the Corporation's Information Circular filed on May 5, 2015 under the Corporation's profile on SEDAR at www.sedar.com.

You must send your nomination to the Corporation's no more than 10 days following the distribution date of this Information Circular and it must comply with the bylaw requirements to be eligible for presentation at the Meeting.

Additional information relating to the Corporation is filed on SEDAR at www.sedar.com and upon request from the Corporation's Chief Financial Officer at telephone no.: 306-651-4550 or fax no.: 306-955-9511. Copies of documents will be provided free of charge to security holders of the Corporation. The Corporation may require the payment of a reasonable charge from any person or Corporation who is not a security holder of the Corporation, who requests a copy of any such document.

## SPECIAL BUSINESS TO BE TRANSACTED – SPECIAL RESOLUTION TO APPROVE THE VOLUNTARY LIQUIDATION AND DISSOLUTION OF THE CORPORATION

### Background to the Board's Proposal that the Corporation be Voluntarily Liquidated and Dissolved

At the last annual general meeting of the Corporation held on June 19, 2018, the Board advised shareholders that, given the uncertainties and risks associated with the Corporation's business of subordinate lending, the lack of suitable investment applications and the difficulty in realizing on subordinate lending in default due to the depressed housing market, management would be instructed to pursue expressions of interest for the possible sale of the Corporation's assets and that if no bona fide expressions of interest were forthcoming in the ensuing year that the Board would then seek to pursue an orderly liquidation of the Corporation's assets with a view to returning as much capital to Shareholders as possible.

Management sought expressions of interest from parties interested in acquiring the Corporation's portfolio of mortgages and other assets. That search yielded two interested parties but, following discussions and exchanges of information, one party withdrew their expression of interest and the Board determined that the other party's expression of interest was not *bona fide* and, if pursued, would not result in the recovery of any tangible value of the Corporation's assets and accordingly was not in the best interests of the Corporation or its Shareholders to pursue further. Following the last annual general meeting of the Corporation, an additional expression of interest was pursued without receipt of a bona fide proposal.

After careful consideration, the Board has unanimously determined that a voluntary liquidation and dissolution of the Corporation is advisable and in the best interests of the Corporation and its Shareholders, and accordingly the Board has unanimously passed a resolution authorizing the Corporation to seek Shareholder approval, by special resolution, the full text of which is attached as Schedule "A" to this Information Circular (the "**Special Resolution**"), authorizing, amongst other ancillary matters, the voluntary liquidation and dissolution of the Corporation (the "**Liquidation**") pursuant to Section 204 of *The Business Corporations Act (*Saskatchewan) (the "**SBCA**"), in accordance with the Plan of Liquidation and Distribution substantially in the form attached hereto as Schedule "B" (the "**Liquidation Plan**"). The

Liquidation Plan has been approved as to form and content by the Board, subject to the Board obtaining Shareholder approval of the Liquidation Plan pursuant to the Special Resolution. The Board recommends that Shareholders vote in favour of the Special Resolution. Capitalized terms used below and not otherwise defined herein shall have the meaning given to them in the Liquidation Plan.

**Voluntary Liquidation and Dissolution Process under the SBCA**

If the Liquidation and the Liquidation Plan are approved at the Meeting, the Corporation intends to sign the Liquidation Plan as soon as possible and engage KPMG Inc. as the liquidator (the "**Liquidator**") as of a date determined by the Board (the "**Effective Date**") for the purpose of liquidating and distributing the assets of the Corporation in accordance with the Liquidation Plan. Provided the Special Resolution is approved by the Shareholders, the Board shall cause the Corporation to file a statement of intent to dissolve with the Director, Corporations Branch for Saskatchewan, pursuant to Section 204 of the SBCA, and thereafter set the Effective Date as soon as reasonably practical following receipt of the certificate of intent to dissolve being issued to the Corporation under the SBCA.

The full text of the Liquidation Plan is attached as Schedule B hereto and Shareholders are urged to read the Liquidation Plan in its entirety. The summary of the key elements of the Liquidation Plan referred to below is qualified in its entirety by the more detailed information contained in the Liquidation Plan.

The Liquidation Plan will have a number of consequences effective as of the Effective Date, including but not limited to the following:

(i) KPMG Inc. will be appointed the liquidator for the purpose of liquidating the Assets of the Corporation (as defined in the Liquidation Plan) and distributing the net proceeds of such liquidation, after satisfying all Proven Claims (as defined in the Liquidation Plan), all in accordance with the Liquidation Plan and any order of the Court;

(ii) all of the powers of the Board will cease and the Board will be deemed to have resigned effective as of the Effective Date; and

(iii) the Corporation will cease to carry on its undertaking, except insofar as contemplated under the Liquidation Plan and as may be required or beneficial for the Liquidation in the discretion of the Liquidator.

Following the Effective Date, the Liquidator will have control of the business and affairs of the Corporation for purposes of the Liquidation. The Corporation itself shall cease to carry on its business, except insofar as contemplated under the Liquidation Plan and as may be required or beneficial for the Liquidation. The Liquidator's power and authority are derived from the SBCA, the Liquidation Plan and the terms of any Court orders pertaining to the Liquidation.

If the Shareholders approve the Special Resolution authorizing and approving the Liquidation of the Corporation under the SBCA, the Board proposes to wind up the Corporation as follows:

- As soon as reasonably possible following approval by the Shareholders of the Special Resolution the Board will cause the Corporation to file a statement of intent to dissolve, in the prescribed form, with the Director, Corporations Branch for Saskatchewan (the "**Director of Corporations**").

- Upon receipt of such statement of intent to dissolve, the Director of Corporations will issue a certificate of intent to dissolve to the Corporation.

- Upon the issuance of the certificate of intent to dissolve, the Corporation's corporate existence will continue until the Liquidation has been completed, but the Corporation shall cease to carry on business except to the extent necessary for the Liquidation.

- After the Director of Corporations has issued the certificate of intent to dissolve to the Corporation, the Corporation will be required to immediately send notice thereof to all known creditors and take reasonable steps to give notice of the certificate of intent to dissolve in each province in Canada in which the Corporation was carrying on business at the time it sent the notice to the Director of Corporations.

- As soon as reasonably practical following its appointment as Liquidator, the Liquidator shall cause the Corporation to apply to Court for an order to establish the process for the identification, resolution and barring of Claims (as defined in the Liquidation Plan).

- The Corporation may appoint one or more Inspectors pursuant to the Liquidation Plan to monitor, for and on behalf of the Shareholders, the Liquidation and the actions of the Liquidator in relation thereto.

- The Corporation anticipates that the distribution to Shareholders of the net proceeds of the liquidation of the Corporation's Assets, after payment of any Claims or other liabilities properly owed by the Corporation, as determined by the Liquidator and, as applicable, the Court, as part of the Liquidation will be made in one or more instalments with Shareholders sharing rateably, share for share, in the distribution proceeds.

- An application will be made to the CRA and other applicable taxation authorities for tax clearance certificates to ensure no taxes are due prior to the dissolution of the Corporation and to limit Shareholder and Director liability for any taxes of the Corporation.

- After all obligations and liabilities (including contingent liabilities, if any) of the Corporation have been satisfied and all proceeds distributed out proportionally to Shareholders as indicated above, the Corporation will file articles of dissolution with the Director of Corporations and will take all necessary actions to formally dissolve and terminate the Corporation's existence.

- Upon receipt of the articles of dissolution from the Liquidator, the Director of Corporations will issue a certificate of dissolution. Upon the issuance of the certificate of dissolution, any Common Shares then outstanding will be cancelled.

**Trading of Shares**

It is expected that the Corporation will not be able to continue to meet the Canadian Securities Exchange's (the "**CSE**") continued listing requirements following the appointment of the Liquidator. Accordingly, the Corporation expects to apply to voluntarily delist the Common Shares from the CSE. Following delisting, the Common Shares will cease to be listed on the CSE or on any other exchange.

Following delisting from the CSE, any proposed transfer of Common Shares may only occur with the prior consent of the Liquidator. Any transfers made without the Shareholder first obtaining the consent of the Liquidator to such transfer shall be void as against the Liquidator and the Corporation.

**Claims Process**

A Court approved Claims Process will be established at the same time as or following the successful application to the Court under Section 204(8) of the SBCA for the identification, resolution and barring of Claims (the "**Claims Process**"). The Claims Process will include the provision of written notice of the commencement of the Liquidation to all known creditors of the Corporation and its present or former officers and directors. Such notice will be published in the Gazette and in one or more newspapers selected by the Liquidator and will be sent by the Liquidator to known and potential creditors based on the Corporation's books and records, informing them of the Liquidation and stating either that (a) any Claims must be filed with the Liquidator by the deadline stated within the notice, or (b) the creditor must respond to any claims notice delivered by the Corporation or the Liquidator setting out the amount of that creditor's claim by the date stated within the notice, depending on the Claims Process approved by the Court. In either case there will be a deadline set, and the Corporation will seek an Order that any Claims received after the said deadline are barred and extinguished. Shareholders of the Corporation are hereby notified of the Claims Process and should review the Corporation's future press releases (filed on SEDAR (www.sedar.com)) and/or the Liquidator's website for further details.

The Claims Process will request summary disposition and expedited hearings of any disputed Claims by the Court, but there are no assurances as to the number and nature of Claims that may be filed, the monetary amount of such Claims and the amount of time such Claims will require for resolution. While the Corporation will seek a date that will bar and extinguish Claims that arise after such date, there can be no guarantee that the completion of the Claims Process will be an absolute bar to all future Claims received by the Corporation or the Liquidator after the said date. In the event that: (i) the Court accepts a Claim after the Claims Process is completed, (ii) the Claim is successful, (iii) a distribution has been made to Shareholders, and (iv) there are insufficient funds held by the Corporation or the Liquidator to satisfy the Claim, then each Shareholder to whom any of the Corporation's property has been distributed may be liable on a pro rata basis to the claimant to the extent of the amount received by that Shareholder upon the distribution, and an action to enforce such liability may be brought.

**Distributions to Shareholders**

The following discussion assumes that the Liquidation Plan will be approved by the Shareholders. If the Liquidation Plan is not approved by the Shareholders, no distributions of the property or assets of the Corporation will be made.

Pursuant to the Liquidation Plan, the Corporation intends to pay or make reasonable provision for the payment of Claims against and obligations of the Corporation as required by law and once it has obtained all required tax clearance certificates, distribute any remaining cash to Shareholders as a reduction of stated capital, to the extent the solvency requirements of Section 36(3) of the SBCA are satisfied, and/or as a dividend. Pursuant to Section 36 of the SBCA, the Corporation may reduce the stated capital of its outstanding shares by distributing to the holders of its shares an amount not exceeding the stated capital of such shares. Such a reduction in stated capital requires the Corporation to meet certain solvency tests under the SBCA before the reduction in stated capital can be made. Amounts distributed by way of a reduction of stated capital may, in certain circumstances, be received tax free by the Shareholders.

The Corporation may continue to defend any proceedings commenced against it, and incur claims, liabilities and expenses (such as salaries and benefits, directors' and officers' insurance, payroll and taxes, facilities expenses, legal, accounting and consulting fees, rent and miscellaneous office expenses) following approval of the Liquidation Plan and during the period following the Effective Date until the formal Liquidation of the Corporation is complete. Satisfaction of these claims, liabilities and expenses may reduce the amount of assets available for ultimate distribution to Shareholders. The Corporation is not able to predict with certainty the precise nature, amount or timing of any distributions, primarily due

to the Corporation's inability to predict the amount of its remaining liabilities or the amount that the Corporation will incur during the course of the Liquidation, the net value, if any, of its remaining non cash assets and the fact that, if the Liquidation and Liquidation Plan are approved, the Liquidator will have the power and authority to approve the number, amount and timing of distributions in the best interests of the Corporation and its Shareholders. In addition, the timing and amount of any distributions may be impacted by (i) the Corporation's and/or the Liquidator's discussions with the CRA and other applicable taxation authorities in finalizing the Corporation's final tax return and the amount of its corresponding tax liabilities, and (ii) the number and complexity of claims resulting from the Claims Process and whether any disputed claims can be reserved for or processed in an expedited manner.

Based upon the foregoing, Liquidation distribution(s), if made, will likely be comprised of cash, payable as a return of capital. Following the completion of the Claims Process, the Corporation expects to issue a press release as to the estimated amount, character and timing of any distributions to Shareholders under the Liquidation. The Liquidator's website will also include periodic updates in respect of estimated amount, character and timing of any distributions pursuant to the Liquidation.

**Uncertainty of Amount Available for Distribution to Shareholders**

The amount of cash and/or assets to be distributed to Shareholders as an Equity Claim (as such term is defined in the Plan of Liquidation) cannot currently be quantified with certainty and is subject to change. Accordingly, you will not know the amount of any Equity Claim you may receive as a result of the Liquidation when you vote on the proposal to approve the Liquidation and the Liquidation Plan. You may receive substantially less than your pro rata share of the net assets of the Corporation, as set out on its most recent balance sheet.

**Potential Liability of Shareholders**

Under the SBCA, despite the Liquidation and dissolution of the Corporation, each Shareholder to whom any of its property has been distributed is liable to any person claiming under Section 219 of the SBCA to the extent of the amount received by that Shareholder upon the distribution, and an action to enforce such liability may be brought.

Section 219 of the SBCA provides that, despite the dissolution of a Corporation under the SBCA, a civil, criminal or administrative action or proceeding may be brought against the Corporation within two years, as if the Corporation had not been dissolved, and provides, among other things, that any property that would have been available to satisfy any judgment or order if the Corporation had not been dissolved, remains available for such purpose. Under the SBCA, the dissolution of the Corporation does not remove or impair any remedy available against the Corporation for any right or claim existing, or any liability incurred, prior to such dissolution or arising thereafter. A Shareholder to whom any of the Corporation's property has been distributed is liable to any person claiming under this Section 219 to the extent of the amount received by that Shareholder upon the distribution. While the Corporation will seek a Court Order imposing a date that will bar and extinguish notice of any Claims received after that date, there can be no assurance that the completion of the Claims Process will be a complete bar to any Claims received by the Corporation or the Liquidator after such date. The Claims Process described above is intended to identify any and all possible claims, and reduce the risk that any claims may arise following the Liquidation of the Corporation, but there is no certainty that this risk will be eliminated completely.

**Income Tax Considerations**

**Shareholders should consult their own tax advisors concerning the application and effect of the income and other taxes of Canada and of any other relevant country, province, territory, state or local tax authority, having regard to their particular circumstances.**

### Form of Special Resolution and Vote Required

A copy of the full text of the Special Resolution is attached as Schedule A to this Information Circular. In order to be effective, the Special Resolution must be approved by not less than two-thirds (66 ⅔%) of the votes cast thereon by Shareholders present in person or represented by proxy at the Meeting.

### Recommendation of the Board of Directors

**The Board of Directors believes that the proposed Liquidation is in the best interests of the Corporation and recommends that the Shareholders vote FOR the Special Resolution to approve the Liquidation and the Liquidation Plan.**

**Unless contrary instructions are indicated on the Form of Proxy or the voting instruction form, the persons designated in the accompanying Form of Proxy or voting instruction form intend to vote "FOR" the Special Resolution to approve the Liquidation and the Liquidation Plan.**

## RISK FACTORS

Shareholders should carefully consider the risk factors relating to the Liquidation and the Plan of Liquidation identified below before deciding how to vote or instruct their vote to be cast to approve the Special Resolution. Although the Corporation believes that the risk factors described below are the most material risks related to the Liquidation, they are not the only risk factors. Additional risk factors not presently known to the Corporation or that the Corporation currently believes are immaterial could also materially and adversely affect the Liquidation, the business of the Corporation and the interests of Shareholders.

### Uncertainty as to the Amount of Funds Available for Distribution to Shareholders

As mentioned above, the actual amount of cash and/or assets to be distributed to Shareholders as an Equity Claim (as such term is defined in the Plan of Liquidation) is not known and will be affected by the costs of the Liquidation, and the costs of identifying and dealing with Claims. It is possible that following the liquidation of the Corporation's Assets and payment of the Corporation's liabilities by the Liquidator, that no amount is left over for payment to the Shareholders as a distribution.

### Timing of Distributions to Shareholders

The Liquidation will progress over a period of months and follow the statutory procedure set forth in the SBCA. There can be no assurance given as to timing of distributions and the final distribution may be significantly delayed should the Claims Process result in a claim or other liability which cannot be settled or resolved in an expeditious manner.

### Uncertainty as to the Number or Quantum of Claims against the Corporation

As mentioned above, the Corporation will only be able to confirm the amount of its liabilities following completion of the Claims Process contemplated in the Liquidation Plan. Moreover, the amount of taxes payable estimated by the Corporation is subject to assessment by taxation authorities. The process available for distribution to Shareholders will be negatively impacted by claims exceeding estimated liabilities or taxes exceeding accrued amounts thereof.

**Third Party Business Relationships**

Persons that the Corporation currently does business with may experience uncertainty associated with the Liquidation. Such uncertainty could have a material adverse effect on the ability of the Liquidator to wind-up the business and affairs of the Corporation and dispose of the Corporation's Assets in a timely manner.

**Corporation will Cease to Carry on any Active Business**

As mentioned above, following filing of the certificate of intent to dissolve, the Corporation will cease to carry on an active business and will commence the process of winding up its operations. As a result the Corporation will not have any realistic prospects of generating any further financial returns beyond distributing the proceeds from the sale of the Corporation's Assets after payment of associated transaction and winding-up expenses and the settlement of all Claims pursuant to the Claims Process.

**Potential Liability of Shareholders**

As mentioned above, under the SBCA, despite the Liquidation and dissolution of the Corporation, each Shareholder to whom any of its property has been distributed is liable to any person claiming under Section 219 of the SBCA to the extent of the amount received by that Shareholder for a distribution, and an action to enforce such liability may be brought.

For greater certainty, Shareholders may ultimately bear personal liability for claims from creditors in the event that any unknown creditors validly establish a Claim against the Corporation after the Liquidator has made a distribution to the Shareholders. In the event that the Corporation is unable to satisfy any valid Claim that arises and is proven after any distribution to the Shareholders has been made, the Shareholders may be liable for such claim in an amount up to the amount of the total distribution received by the Shareholders from the Corporation.

**Delisting from CSE**

As mentioned above, it is expected that the Corporation will not be able to continue to meet the CSE's continued listing requirements following the appointment of the Liquidator. Accordingly, the Corporation expects to apply to voluntarily delist the Common Shares from the CSE. The Common Shares will then no longer be listed for trading on the CSE or on any other exchange. The delisting of the Common Shares from the CSE will severely restrict liquidity for Shareholders of the Corporation pending the ultimate dissolution and winding-up of the Corporation. **Further, it is a term of the Liquidation Plan that following the implementation of the Liquidation and delisting from the CSE, all transfers of Common Shares thereafter will be void unless made with the explicit sanction of the Liquidator which further restricts the ability of a Shareholder to sell or otherwise dispose of their Common Shares.**

**Ceasing to be a Reporting Issuer**

As part of the Liquidation Plan, the Liquidator shall apply for an order that the Corporation cease to be a reporting issuer under applicable securities laws and/or may apply to be relieved of its obligation to deliver annual financial statements to Shareholders under the SBCA. If either application is approved, the Corporation may cease distributing and filing financial statements and other continuous disclosure documents and Shareholders will no longer receive or have access to material information with respect to the Corporation on a timely basis or otherwise. If the Corporation does not cease to be reporting issuer but fails to meet its continuous disclosure obligations under applicable securities laws, a cease trade order may be imposed on it.

### Tax Implications

This Information Circular is of a general nature only and is not intended to be, nor should it be, considered legal or tax advice to any particular Shareholder and no representation is made with respect to the income tax consequences of the Liquidation to any particular Shareholder.

Shareholders are encouraged to consult their own tax advisors having regard to their particular circumstances.

As mentioned above, in order to facilitate the Liquidation, the Corporation intends to reduce its stated capital such that, immediately following such reduction, the realizable value of the Corporation's assets will exceed the aggregate of the Corporation's liabilities and its stated capital of all share classes. The reduction of the Corporation's stated capital generally causes a reduction of the Corporation's paid-up capital ("PUC") as calculated for tax purposes. A reduction of PUC of the Common Shares that is effected without any distribution to the Shareholders would not have any immediate tax consequence to the Shareholders. The reduction in PUC of the Common Shares may have future Canadian federal income tax consequences to a Shareholder including, but not limited to, on Liquidation.

**Shareholders should consult their own tax advisors with respect to the tax implications of the Liquidation having regard to their own particular circumstances and any distributions that may be made to such Shareholder in connection therewith.**

### Status as a Qualified Investment for Registered Plans

The Corporation has previously taken the position that it meets all of the conditions imposed by the Income Tax Act, R.S.C. 1985, c. 1 (5th Supp.) and the regulations thereunder, all as amended (the "*Tax Act*") to qualify as a "mortgage investment corporation" (MIC). In connection with the Liquidation, the Corporation may no longer qualify as a MIC.

If the Corporation fails to qualify as a MIC at any time in a taxation year, the Common Shares may cease to be "qualified investments" for trusts governed by a registered retirement saving plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan ("**RESP**"), registered disability savings plan ("**RDSP**"), deferred profit sharing plan ("**DPSP**"), and tax-free savings account ("**TFSA**") (together RRSP, RRIF, RESP, RDSP, DPSP and TFSA are referred to herein as the "**Registered Plans**"). This would result in additional taxes to Shareholders who hold the Common Shares in Registered Plans under the Tax Act.

The Corporation gives no assurances to Shareholders that the Common Shares would continue to satisfy the requirements of "qualified investments" under the Tax Act. Shareholders who hold their Common Shares in a Registered Plan should seek their own tax advice regarding the implications to them of the Liquidation, having regard to their own particular circumstances, in advance of voting.

## OTHER MATTERS

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Information Circular.

The contents of this Information Circular and its distribution to Shareholders have been approved by the Board.

**DATED** at Regina, Saskatchewan, August 16, 2019

**BY ORDER OF THE BOARD**

***"Tom Robinson"***

**Tom Robinson**
**Chair**

# SCHEDULE "A"

# LIQUIDATION AND DISSOLUTION RESOLUTION

"BE IT RESOLVED, as a special resolution of the shareholders of PrimeWest Mortgage Investment Corporation (the "**Corporation**") that:

1. the directors of the Corporation be and are hereby authorized and empowered to voluntarily liquidate and dissolve the Corporation pursuant to Section 204 of *The Business Corporations Act (Saskatchewan)* (the "**SBCA**"), which liquidation and dissolution shall become effective and commence at a time to be determined by the board of directors of the Corporation (the "**Effective Date**") in accordance with the terms of the Plan of Liquidation and Dissolution substantially in the same form as that attached as Schedule B to the Information Circular;
2. the Plan of Liquidation and Dissolution is hereby approved and any director or officer of the Corporation is hereby authorized and empowered for and on behalf of the Corporation to execute and deliver Plan of Liquidation and Dissolution, including, amongst other things, to appoint KPMG Inc. as the liquidator (the "**Liquidator**") for the purpose of liquidating and distributing the assets of the Corporation in accordance with the Plan of Liquidation and Dissolution;
3. the making of an application by the Corporation to the Canadian Securities Exchange to voluntarily delist the common shares of the Corporation from the Canadian Securities Exchange be and is hereby authorized, ratified, confirmed and approved;
4. the Corporation is hereby authorized to make one or more distributions to shareholders following the Effective Date by way of a reduction of capital, in an amount not to exceed the stated capital, provided that the solvency requirements of Section 36(3) of the SBCA are satisfied at the time of such distribution, or the Corporation may make such distributions in such other manner as the Liquidator may then determine is appropriate in the circumstances;
5. any director or officer of the Corporation be and is hereby authorized and empowered, for and on behalf of and in the name of the Corporation, to take all necessary steps and proceedings, and to execute and deliver and file any and all declarations, agreements, documents and other instruments, and to do, or cause to be done, all such further and other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to the provisions of this resolution; and
6. notwithstanding the approval of this resolution and the Plan of Dissolution by the Shareholders of the Corporation, the directors of the Corporation are hereby authorized to revoke this resolution at any time prior to the Effective Date and not proceed with the Plan of Liquidation and Dissolution, without further approval of the Shareholders of the Corporation, if the directors determine, in their discretion, that it would be in the best interests of the Corporation and its stakeholders to do so."

**Schedule "B"**

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION

# PLAN OF LIQUIDATION AND DISSOLUTION

WHEREAS the Board of Directors of PrimeWest Mortgage Investment Corporation (the "**Board**") has concluded that it is in the best interests of PrimeWest Mortgage Investment Corporation (the "**Corporation**") to be liquidated and dissolved voluntarily pursuant to *The Business Corporations Act* (Saskatchewan) in accordance with the terms of this Liquidation Plan;

AND WHEREAS the Board has passed a resolution authorizing the Corporation to seek Shareholder approval for the voluntary liquidation and dissolution of the Corporation pursuant to *The Business Corporations Act* (Saskatchewan) in accordance with the terms of this Liquidation Plan, to be considered and voted upon by the Shareholders at an annual general and special meeting of Shareholders;

NOW THEREFORE THIS Liquidation Plan is adopted by the Board as of the last date set forth below, having the terms and conditions as set out herein.

## ARTICLE 1
## INTERPRETATION

### 1.1 Definitions

In this Liquidation Plan:

"**Assets**" means all of the property, assets and undertaking of the Corporation;

"**Board**" has the meaning given to it in the recitals of this Liquidation Plan;

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are generally open for business in Saskatoon, Saskatchewan;

"**Calendar Day**" means any day, including a Saturday, Sunday or statutory holiday in Saskatoon, Saskatchewan;

"**Canadian Dollars**" means dollars denominated in lawful currency of Canada;

"**Claim**" means:

(a) any right of any Person against the Corporation in connection with any indebtedness, liability or obligation of any kind of the Corporation and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any claim made or asserted against the Corporation through any affiliate or associate or any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future with respect to any matter, action, cause or chose in action; and

(b) any existing or future right of any Person against any one or more of the Directors which arose or arises as a result of such Director's position, supervision, management or involvement as a Director or otherwise in any other capacity in connection with the Corporation, whether such right, or the circumstances giving rise to it, arose before or after the Effective Date and whether enforceable in any civil, administrative or criminal proceeding,

but does not include an Equity Claim;

"**Claims Process**" means the process established by the Liquidator and approved by the Court for the identification, resolution and barring of Claims, including, among other things, the issuance of a final order of the Court establishing the Claims;

"**Clearance Certificates**" mean:

(a) a certificate issued by the Minister pursuant to subsection 159(2) of the *Income Tax Act*, R.S.C. 1952, c. 148 (the "**ITA**"), or any equivalent thereto, certifying that all amounts for which the Corporation is, or can reasonably be expected to become, liable under the ITA up to and including the date of distribution have been paid, or that the Minister has otherwise accepted security for payment;

(b) a certificate issued by the Minister pursuant to subsection 23(5) of the *Canada Pension Plan*, R.S.C. 1985, c. C-8 (the "**CPP**"), or any equivalent thereto, certifying that all amounts for which the Corporation is liable under the CPP, up to and including the date of distribution, have been paid or that security for the payment thereof has been accepted by the Minister;

(c) a certificate issued by the Minister pursuant to subsection 86(3) of the *Employment Insurance Act*, S.C. 1996, c. 23 (the "**EIA**"), or any equivalent thereto, certifying the payment, or acceptance by the Minister of security for payment, of all amounts for which the Corporation is liable under the EIA up to and including the date of distribution;

(d) a certificate issued by the Minister pursuant to subsection 81(1) of the *Excise Tax Act,* R.S.C. 1985, c. E-15 (the "**ETA**"), or any equivalent thereto, certifying that no tax, penalty, interest or other sum under the ETA chargeable against or payable by the Liquidator or chargeable against or payable in respect of the Assets remains unpaid or that security for the payment thereof has, in accordance with section 80.1 of the ETA, been accepted by the Minister;

(e) a certificate issued by the Minister pursuant to subsection 270(3) of the ETA, or any equivalent thereto, certifying that all amounts payable or remittable under Part IX of the ETA by the Corporation in respect of the reporting period during which the distribution is made or any previous reporting period, and all amounts that are, or can reasonably be expected to become, payable or remittable under Part IX of the ETA by the Liquidator in respect of the reporting period during which the distribution is made, has been paid or that security for the payment thereof has been accepted by the Minister; and

(f) additional certificate(s) required by any Governmental Authority pursuant to any other applicable federal or provincial legislation.

"**Common Shares**" means the common shares in the capital of the Corporation;

"**Corporation**" has the meaning given to it in the recitals of this Liquidation Plan;

"**Court**" means the Court of Queen's Bench for Saskatchewan;

"**Creditor**" means any Person with a Claim;

"**CSE**" means the marketplace of the Canadian Securities Exchange for venture companies;

"**Director of Corporations**" means the Director of Corporations appointed pursuant to section 279 of the SBCA and includes any Deputy Director appointed pursuant to that section;

"**Directors**" means all individuals who were, on or at any time before the Effective Date, directors or officers of the Corporation, and the term "Director" shall mean any one of them;

"**Dissolution Date**" means the date on which the Corporation is dissolved pursuant to the SBCA by Order of the Court;

"**Effective Date**" means the date to be established by a resolution of the Board upon which the implementation of the Liquidation Plan shall commence, which date shall be no earlier than the date upon which the certificate of intent to dissolve is issued to the Corporation pursuant to and in accordance with the SBCA;

"**Employees**" means the employees of the Corporation;

"**Equity Claim**" means the entitlement to a distribution of a Shareholder in respect of the Shareholder's Common Shares;

"**Governmental Authority**" means any nation or government, any province, state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or any Legal Requirement and any corporation or other entity owned or controlled, through capital stock or otherwise by any of the foregoing;

"**Inspectors**" has the meaning given to it in Section 6.1;

"**Legal Requirement**" means any statute, law, treaty, rule, regulation, order, decree, writ, injunction or determination of any arbitrator, court, Governmental Authority or securities exchange and, with respect to any Person, includes all such Legal Requirements applicable or binding upon such Person, its business or the ownership or use of any of its assets;

"**Liquidator**" means the Person appointed pursuant to Section 4.1 in its capacity as liquidator of the Corporation;

"**Liquidation Date**" means the date on which the Shareholders pass the Resolution;

"**Liquidation Plan**" means this plan of liquidation and distribution as it may be amended, modified, supplemented, restated or otherwise modified in accordance with its terms;

"**Minister**" means the Minister of National Revenue;

"**SBCA**" means *The Business Corporations Act*, RSS 1978, c B-10;

"**SBCA Director**" means the Director appointed under Section 279 of the SBCA;

"**Person**" means any individual, partnership, limited partnership, joint venture, trust, corporation, unincorporated organization, government, agency, regulatory body or instrumentality thereof, legal personal representative or litigation guardian, or any other judicial entity howsoever designated, constituted or domiciled;

"**Proven Claim**" means a Claim finally determined or accepted in accordance with the provisions of the Claims Process;

"**Resolution**" means the special resolution of the Shareholders authorizing the voluntary liquidation and dissolution of the Corporation in accordance with the SBCA and approving this Liquidation Plan;

"**Shareholders**" means all holders of Common Shares shown from time to time in the registers maintained by or on behalf of the Corporation by the Transfer Agent in respect of the Common Shares and, unless otherwise specified, includes all beneficial owners of Common Shares;

"**Tax Return**" means any report, return or other information required to be supplied to a taxing authority in connection with:

(a) all taxes, charges, fees, levies and other assessments (whether federal, provincial, local or foreign), including income, gross receipts, excise, property, sales, use, transfer, licence, payroll, franchise, withholding, social security and unemployment taxes, and

(b) any interest, penalties and additions related to the foregoing;

"**Transfer Agent**" means Computershare Investor Services Inc., as transfer agent for the Common Shares of the Corporation.

### 1.2 Certain Rules of Interpretation

In this Liquidation Plan and the Schedules hereto:

(a) all references to currency are to Canadian Dollars, except as otherwise expressly indicated;

(b) the division of this Liquidation Plan into articles, sections, subsections and clauses and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Liquidation Plan;

(c) the terms "this Liquidation Plan," "hereof," "hereunder," "herein" and similar expressions refer to this Liquidation Plan and not to any particular article, section, subsection or clause and include any plan supplemental hereto;

(d) unless otherwise indicated, any reference in this Liquidation Plan to an article, section, subsection, clause or schedule refers to the specified

article, section, subsection, clause or schedule of or to this Liquidation Plan;

(e) the use of words in the singular or plural, or with a particular gender shall not limit the scope or exclude the application of any provision of this Liquidation Plan or a schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;

(f) the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely," be construed as terms of limitation, but rather shall mean "includes without limitation" and "including without limitation," so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;

(g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Saskatoon, Saskatchewan, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m., on such Business Day;

(h) unless otherwise specified, the time period within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day. Whenever any payment to be made or action to be taken under this Liquidation Plan is required to be made or to be taken on a day other than a Business Day, such payment shall be made or action taken on the next succeeding Business Day;

(i) unless otherwise specified, where any reference to an event occurring within any number of "days" appears in this Liquidation Plan, such reference means Calendar Days and not Business Days; and

(j) unless otherwise specified, any reference to a statute, or other enactment of parliament or a legislature includes all regulations made thereunder, all enactments to or re-enactments of such statute or regulations in force from time to time and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation.

## ARTICLE 2
## PURPOSE OF THE PLAN

### 2.1 Purpose

The purpose of this Liquidation Plan is to provide for a plan of liquidation and distribution of the Assets, identification, resolution and barring of Claims and dissolution of the Corporation.

### 2.2 Commencement of Liquidation

The voluntary liquidation and dissolution of the Corporation shall commence on and as of the Effective Date.

### 2.3 Affected Persons

This Liquidation Plan will be implemented under the SBCA and, as of the Effective Date, will be binding on the Corporation, the Directors, the Inspectors, the Liquidator and the Shareholders in accordance with its terms. On the Liquidation Date, each Shareholder shall be deemed to have consented and agreed to all of the provisions of this Liquidation Plan in their entirety.

## ARTICLE 3
## EFFECT OF PLAN

### 3.1 Share Transfers

If not already otherwise halted and/or delisted, the Common Shares will be delisted and will cease trading on the CSE as soon as is reasonably practicable following the Effective Date. All transfers of Common Shares thereafter shall be void unless made with the explicit sanction of the Liquidator or the Court.

### 3.2 Corporation to Cease Business

On and as of the Effective Date, the Corporation shall cease to carry on business, except insofar as may be determined to be required for the orderly liquidation of the Corporation in the discretion of the Liquidator, but the Corporation's corporate existence and all its corporate powers, even if otherwise provided by its articles or by-laws, shall continue under the control of the Liquidator until the Dissolution Date.

### 3.3 Resignation of Directors

On and as of the Effective Date, all of the powers of the Directors shall cease and the Directors shall be deemed to have resigned.

## ARTICLE 4
## THE LIQUIDATOR

### 4.1 Appointment of Liquidator

On and as of the Effective Date, KPMG Inc. is hereby appointed as the liquidator of the estate of the Corporation for the purpose of liquidating the Corporation's Assets and distributing the proceeds, after satisfying all Proven Claims, all in accordance with the terms of this Liquidation Plan, the SBCA, and any future orders of the Court. The Liquidator shall be the agent and attorney-in-fact of the Corporation and shall act for and on behalf of the Corporation with the authority to enter into agreements and execute documents for and on behalf of the Corporation in such capacity pursuant to the powers and obligations of the Liquidator as contained in this Liquidation Plan, the SBCA, and any future orders of the Court.

### 4.2 Application for Court Supervision

On the Effective Date, the Corporation will instruct the legal firm of McDougall Gauley LLP ("**MG**") to file an application with the Court as soon as reasonably possible, seeking an order pursuant to subsection 204(8) of the SBCA that the liquidation of the Corporation and appointment of the Liquidator be continued under the supervision of the Court as provided in Division XVI of the SBCA, at which time the Court may so order and may make any further order it thinks fit. MG shall be paid its reasonable fees and disbursements in respect of the application, which shall be paid by the Corporation or the Liquidator, as the case may be, from the Assets in priority to all other Claims.

### 4.3 Mandatory Obligations of the Liquidator

The Liquidator is expressly directed, empowered and authorized to, and shall:

(a) forthwith after the Liquidator's appointment give notice thereof to the Director of Corporations and to each Creditor known to the Liquidator;

(b) forthwith publish notice in the Gazette and by insertion once a week for two consecutive weeks in a newspaper published or distributed in the place where the Corporation has its registered office and take reasonable steps to give notice thereof in every jurisdiction where the Corporation carries on business, requiring any Person:

(i) indebted to the Corporation, to render an account and pay to the Liquidator at the time and place specified any amount owing;

(ii) possessing Assets, to deliver the Assets to the Liquidator at the time and place specified; and

(iii) having a Claim, to present particulars thereof in writing to the Liquidator not later than two months after the first publication of the notice;

(c) take into its custody and control the Assets of the Corporation;

(d) open and maintain a trust account for the moneys of the Corporation, which trust account shall not be made in the name of the Liquidator individually, but shall be a separate trust account in the Liquidator's name and capacity as Liquidator of the Corporation, and such money shall be withdrawn for payment of Proven Claims, taxes, fees and expenses incurred in connection with the implementation of the Liquidation Plan and signed in accordance with such signing authorities as may be determined by the Liquidator in consultation with the Inspectors and/or as directed by the Court;

(e) keep accounts of the moneys of the Corporation received and paid out by the Liquidator;

(f) maintain separate lists of the Shareholders, creditors and other Persons having Claims against the Corporation;

(g) if at any time the Liquidator determines that the Corporation is unable to pay or adequately provide for the discharge of its obligations, apply to the Court for directions;

(h) deliver to the Court and to the Director of Corporations, at least once in every twelve-month period after the Liquidator's appointment or more often as the Court may require, financial statements of the Corporation in the form required by section 149 of the SBCA or in such other form as the liquidator may think proper or as the Court may require;

(i) delist the Common Shares from the CSE in the event the same have not already been delisted as of the Effective Date;

(j) apply to the Financial and Consumer Affairs Authority for Saskatchewan for an order that the Corporation shall cease to be a reporting issuer under applicable securities legislation;

(k) establish and implement a Claims Process;

(l) cause to be filed with the appropriate Governmental Authority all Tax Returns required to be filed by the Corporation;

(m) remit all taxes required to be remitted by the Corporation in accordance with all applicable statutes, all outstanding CPP contributions and EIA premiums, including any associated interest and penalties and obtain the Clearance Certificates;

(n) cause to be filed with the appropriate Governmental Authority all financial statements and reports required to be filed by the Corporation;

(o) maintain the continuous disclosure requirements applicable to the Corporation under all applicable securities laws, subject to amendments or exclusions which may be obtained by order of the Court during the liquidation proceedings;

(p) maintain appropriate liability insurance in place for the Liquidator if necessary;

(q) pay or otherwise satisfy all Proven Claims from the Assets in accordance with the Claims Process and any orders of the Court;

(r) after satisfying all Proven Claims and having the Liquidator and its legal counsel's final accounts approved by the Court, distribute any surplus proceeds among the Shareholders according to their respective rights; and

(s) fulfill the reporting obligations set forth at Section 4.5.

## 4.4 Discretionary Powers of the Liquidator

The Liquidator is expressly empowered and authorized, but not obligated, to do any of the following:

(a) retain lawyers, accountants, engineers, appraisers and other professional advisers, if necessary, to assist with the administration and implementation of this Liquidation Plan;

(a) engage any former employee of the Corporation to assist with the Liquidator's administration and implementation of the Liquidation Plan;

(b) with the prior approval of the Inspectors, bring, defend or take part in any civil, criminal or administrative action or proceeding in the name and on behalf of the Corporation;

(c) carry on the business of the Corporation so far as may be required for the liquidation and dissolution of the Corporation;

(d) sell by public auction or private sale any of the Assets;

(e) do all acts and execute any documents in the name and on behalf of the Corporation;

(f) settle or compromise any Claims by or against the Corporation in accordance with the Claims Process and any orders of the Court;

(g) in accordance with the provisions of the SBCA and any order of the Court, make or cause to be made from time to time, any interim distributions or distributions in kind of portions of the Assets to the registered Shareholders rateably among the registered Shareholders according to their rights and interests in the Corporation, as considered appropriate and approved by the Court, and while maintaining such reserves as are reasonably necessary to provide for all Claims and the anticipated costs of completing the administration of this Liquidation Plan;

(h) at any time after the affairs of the Corporation have been fully wound up, make an application to the Court for an order dissolving the Corporation;

(i) apply to Court for directions and further orders in respect of the performance of the Liquidator's obligations, or anything else necessary for the liquidation and dissolution of the Corporation and distribution of the Assets; and

(j) do all such things as are reasonably necessary for the liquidation and dissolution of the Corporation and distribution of the Assets in accordance with this Liquidation Plan, the SBCA and any orders of the Court.

## 4.5 Reporting Obligations

The Liquidator shall report to the Court at such times and intervals as the Liquidator may deem appropriate with respect to matters relating to the Assets, the Corporation and such other matters as may be relevant to this Liquidation Plan, and shall make such reporting available to the Shareholders by posting such reporting on its website at the following URL: https://home.kpmg/ca/primewest

## 4.5 Removal of the Liquidator

The Liquidator may be removed by order of the Court pursuant to an application brought following either:

(a) a resolution of the majority of the Inspectors;

(b) a determination by the Liquidator, in its discretion, that it ought to be discharged by the Court; or

(c) an ordinary resolution of the Shareholders at a meeting called for the purpose of removing the Liquidator;

but only if such order of the Court appoints another liquidator in the Liquidator's stead which successor liquidator shall become the Liquidator under this Liquidation Plan.

## 4.6 Fees of the Liquidator and Its Counsel

The Liquidator and its legal counsel shall be paid their reasonable fees and disbursements at their standard rates from the Assets as and when the Liquidator or its counsel renders an account to the Corporation and such account is approved by the Inspectors. Pursuant to Section 216(1) of the SBCA, the costs, charges and expenses of the liquidation, including the reasonable fees and disbursements of the Liquidator and its legal counsel, are payable out of the Assets in priority to all other Claims. In the event of a dispute between the Liquidator and Inspectors with respect to the Liquidator's fees and disbursements, including the fees of its counsel, the Liquidator may apply to the Court.

## 4.7 Indemnity

The Corporation hereby releases, holds harmless and indemnifies (including out of the Assets) the Liquidator from and against all liabilities, claims and costs of any nature arising from the Liquidator's execution of this Liquidation Plan, save and except any

such liabilities, claims or costs arising as a result of the Liquidator's fraud, gross negligence or wilful misconduct.

## ARTICLE 5
## TERMINATION OF EMPLOYEES

### 5.1 Termination of Employment

All Employees shall be terminated on the Effective Date, other than those Employees who are requested by the Liquidator to remain in service and assist in the implementation of this Liquidation Plan and agree to do so, which Employees shall remain Employees of the Corporation.

### 5.2 Employment Agreements

In connection with the termination of all Employees, the Corporation shall honour and fully comply with all existing agreements with such Employees.

## ARTICLE 6
## INSPECTORS

### 6.1 Appointment of Inspectors

On and as of the Effective Date, Tom Robinson, Wilson Olive, Francis Bast and Tom Archibald are hereby appointed as inspectors of the Corporation's liquidation (the "**Inspectors**").

### 6.2 Approval of Inspectors

For any action or inaction which requires the approval of the Inspectors under this Liquidation Plan, by order of the Court or pursuant to the SBCA, such approval shall exist if a majority of the Inspectors approve of the action or inaction by vote at a meeting of Inspectors or otherwise by written resolution signed by a majority of the Inspectors.

### 6.3 Meeting of Inspectors

The Liquidator or any one of the Inspectors may call a meeting of Inspectors by providing all of the Inspectors with two days written notice of such meeting, which notice may be waived by the Inspectors in their discretion. Such meetings may be held by teleconference. Quorum for any meeting of Inspectors shall be a majority of the Inspectors. Each of the Inspectors shall have one vote at any such meetings. The Liquidator shall have no vote at such meetings but may chair such meetings with the approval of a majority of the Inspectors.

### 6.4 Removal of Inspectors

An Inspector may be removed by:

(a) order of the Court; or

(b) ordinary resolution of the Shareholders at a meeting called for the purpose of removing an Inspector.

### 6.5 Filling Vacancies of Inspectors

There shall always be at least one Inspector and not more than four Inspectors at any time. Any vacancy in the number of permissible Inspectors may be filled by election by the majority of remaining Inspectors.

### 6.6 Remuneration of Inspectors

The compensation paid to Inspectors shall be $10,000.00 per Inspector per year, pro rated for the length of each Inspector's appointment plus $1,000.00 per Inspector per day on which meetings of Inspectors are held for attendance at such meetings in person or, if attended by conference call, $500.00 per Inspector per day.

### 6.7 Indemnity

The Corporation hereby releases, holds harmless and indemnifies (including out of the Assets) the Inspectors from and against all liabilities, claims and costs of any nature arising from the Inspectors' actions under this Liquidation Plan, save and except any such liabilities, claims or costs arising as a result of the Inspectors' fraud, gross negligence or wilful misconduct.

## ARTICLE 7
## DISTRIBUTIONS

### 7.1 Delivery of Distribution to Shareholders

Unless otherwise directed, distributions of surplus proceeds to registered Shareholders shall be made by the Liquidator at the addresses set forth in the registers maintained by the Transfer Agent in respect of the Common Shares as at the date of any such distribution, or if applicable, and to the extent differing from the foregoing, at the address of such registered Shareholder's respective legal representatives, in trust for such registered Shareholder. Beneficial holders of Common Shares shall be entitled to receive

distributions only through the applicable registered Shareholder on the registers maintained by the Transfer Agent in respect of the Common Shares.

### 7.2 Undeliverable Distributions to Shareholders

Where the Liquidator is unable to deliver a distribution to a registered Shareholder because such Shareholder is unknown or such Shareholder's whereabouts is unknown, the distribution shall be delivered or conveyed by the Liquidator to the Minister of Finance in accordance with section 220 of the SBCA, to be held in trust for the registered Shareholder, and such delivery or conveyance shall be deemed to be a distribution to that registered Shareholder of his, her or its rateable share for the purpose of this Liquidation Plan.

### 7.3 Interim Distributions

Any distributions to registered Shareholders (other than any final distribution on the cancellation of the Shares) shall be either as a reduction of stated capital, subject to satisfying the applicable solvency tests in the SBCA, or as a dividend. Subject to applicable law, the determination as to whether or not to make any such interim distribution and whether or not any such interim distribution is made as a reduction of stated capital or as a dividend shall be made by the Liquidator in consultation with the Inspectors.

## ARTICLE 8
## COMPLETION OF THE LIQUIDATION PLAN

### 8.1 Discharge of Liquidator

As soon as is practicable following the Dissolution Date, the Liquidator shall apply to the Court for approval of its final account and its discharge and, upon the Court making such order, the Liquidator shall be discharged and shall have no further obligations or responsibilities, except as may otherwise be ordered by the Court.

## ARTICLE 9
## GENERAL PROVISIONS

### 9.1 Liquidation Plan Amendment

The Liquidator may, at any time prior to the Dissolution Date, agree to amend, modify and/or supplement this Liquidation Plan without the approval of the Shareholders:

(a) in order to correct any clerical or typographical error;

(b) as required to maintain the validity or effectiveness of this Liquidation Plan as a result of any change in any Legal Requirement; or

(c) in order to make any change that in the opinion of the Liquidator is necessary, provided that it does not materially change the terms of this Liquidation Plan.

### 9.2 Severability

In the event that any provision in this Liquidation Plan is held by the Court to be invalid, void or unenforceable, the Court shall have the power to alter and interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered and interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Liquidation Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

### 9.3 Paramountcy

From and after the Effective Date and, subject always to any orders of the Court, any conflict between: (a) this Liquidation Plan; and (b) any information summary in respect of this Liquidation Plan, or the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, document or agreement, written or oral, and any and all amendments and supplements thereto existing between the Corporation and any of the Shareholders, Directors and Liquidator as at the Liquidation Date, will be deemed to be governed by the terms, conditions and provisions of this Liquidation Plan, which, subject to any orders of the Court, shall take precedence and priority.

### 9.4 Notices

Any notice or communication to be delivered hereunder shall be in writing and shall reference this Liquidation Plan and may, subject as hereinafter provided, be made or given by personal delivery, by fax, courier or e-mail addressed to the respective parties as follows:

(a) if to a Shareholder, at the addresses set forth in the securities register kept at the Transfer Agent;

(b) if to a Creditor, at the addresses set forth in the books and records of the Corporation or the proofs of claim filed by such Creditor in accordance with the Claims Process;

(c) if to the Corporation or the Liquidator:

Liquidator:
KPMG Inc.
Contact:

| | |
|---|---|
| Neil Honess | Cristina Pimienta |
| 403-691-8014 | 403-691-8406 |
| neilhoness@kpmg.ca | cpimienta@kpmg.ca |

Address:
KPMG Inc., Bow Valley Square II, 3100, 205 – 5th Avenue SW, Calgary Alberta T2P 4B9

(d) if to the Inspectors:

[To be determined]

or to such other address as any party may from time to time notify the others in accordance with this Section 9.4. All such notices and communications which are delivered shall be deemed to have been received on the date of delivery. Any such notices and communications which are emailed or faxed shall be deemed to be received on the date emailed or faxed if sent before 5:00 p.m. Central Standard Time on a Business Day and otherwise shall be deemed to be received on the Business Day next following the day upon which such email or fax was sent. Any notice or other communication sent by mail shall be deemed to have been received on the fifth Business Day after the date of mailing. The unintentional failure by the Liquidator to give a notice contemplated hereunder shall not invalidate any action taken by any Person pursuant to this Liquidation Plan.

## 9.5 Governing Law

This Liquidation Plan shall be governed by and construed in accordance with the laws of the Province of Saskatchewan and the federal laws of Canada applicable therein without regard to conflict of laws. All questions as to the interpretation or application of this Liquidation Plan and all proceedings taken in connection with this Liquidation Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

The foregoing Liquidation Plan being adopted by the Board as of this 16th day of August 2019.

**BY THE ORDER OF THE BOARD**

***"Tom Robinson"***

Name: Tom Robinson
Title: Chair

# TAB G

THIS IS EXHIBIT "G" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

**September 25, 2019**

**VIA SEDAR**

**TO:** **Financial & Consumer Affairs Authority**
**AND TO:** **Alberta Securities Commission**
**British Columbia Securities Commission**
**Manitoba Securities Commission**
**Ontario Securities Commission**

**Re: Report of Voting Results of September 24, 2019 Annual and Special Meeting of the Shareholders of PrimeWest Mortgage Investment Corporation (the "Corporation")**

In the matter of Continuous Disclosure, the matters voted upon by shareholders at the Annual and Special Meeting of shareholders of the Corporation held on September 24, 2019 were decided as follows:

**Item 1: Election of Board Nominees**

The following directors were declared re-elected by acclamation to hold offices for a further one year term, until the holding of the next annual meeting of the Corporation or until their successors are elected and appointed:

i) Tom Robinson
ii) Francis Bast
iii) Thomas Archibald
iv) Wilson Olive

**Item 2: Appointment of Auditors**

With Shareholder approval, KPMG LLP were appointed as the auditors of the Corporation to hold office until the next annual meeting or until their successors are appointed and the board of directors was authorized to fix the remuneration of the auditor for the current year.

**Item 3: Special Resolution for Liquidation and Dissolution**

The Shareholders of the Corporations approved the Special Resolution to voluntarily liquidate and dissolve the Corporation. The full details of the Special Resolution were included in the Information Circular.

Dated: September 25, 2019

PrimeWest Mortgage Investment Corp.

Per: *"Marlene Kaminsky"*
Marlene Kaminsky, CFO & Interim CEO

# TAB H

# CERTIFIED EXTRACT OF COPY OF SPECIAL SHAREHOLDERS RESOLUTION OF PRIMEWEST MORTGAGE INVESTMENT CORPORATION LIQUIDATION AND DISSOLUTION RESOLUTION

"BE IT RESOLVED, as a special resolution of the shareholders of PrimeWest Mortgage Investment Corporation (the "**Corporation**") that:

1. the directors of the Corporation be and are hereby authorized and empowered to voluntarily liquidate and dissolve the Corporation pursuant to Section 204 of *The Business Corporations Act (Saskatchewan)* (the "**SBCA**"), which liquidation and dissolution shall become effective and commence at a time to be determined by the board of directors of the Corporation (the "**Effective Date**") in accordance with the terms of the Plan of Liquidation and Dissolution substantially in the same form as that attached as Schedule B to the Information Circular;
2. the Plan of Liquidation and Dissolution is hereby approved and any director or officer of the Corporation is hereby authorized and empowered for and on behalf of the Corporation to execute and deliver Plan of Liquidation and Dissolution, including, amongst other things, to appoint KPMG Inc. as the liquidator (the "**Liquidator**") for the purpose of liquidating and distributing the assets of the Corporation in accordance with the Plan of Liquidation and Dissolution;
3. the making of an application by the Corporation to the Canadian Securities Exchange to voluntarily delist the common shares of the Corporation from the Canadian Securities Exchange be and is hereby authorized, ratified, confirmed and approved;
4. the Corporation is hereby authorized to make one or more distributions to shareholders following the Effective Date by way of a reduction of capital, in an amount not to exceed the stated capital, provided that the solvency requirements of Section 36(3) of the SBCA are satisfied at the time of such distribution, or the Corporation may make such distributions in such other manner as the Liquidator may then determine is appropriate in the circumstances;
5. any director or officer of the Corporation be and is hereby authorized and empowered, for and on behalf of and in the name of the Corporation, to take all necessary steps and proceedings, and to execute and deliver and file any and all declarations, agreements, documents and other instruments, and to do, or cause to be done, all such further and other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to the provisions of this resolution; and
6. notwithstanding the approval of this resolution and the Plan of Dissolution by the Shareholders of the Corporation, the directors of the Corporation are hereby authorized to revoke this resolution at any time prior to the Effective Date and not proceed with the Plan of Liquidation and Dissolution, without further approval of the Shareholders of the Corporation, if the directors determine, in their discretion, that it would be in the best interests of the Corporation and its stakeholders to do so."

## CERTIFICATE

I, the undersigned interim Chief Executive Officer of the Corporation DO HEREBY CERTIFY the foregoing to be a true copy of a resolution of the Shareholders of the Corporation duly passed at a meeting of the said Shareholders held on the 24th day of September, 2019, and that the said resolutions were passed in accordance with all requirements of the Corporation pertaining to the holding of shareholders' meetings and the passing of resolutions thereat, which requirements were duly carried out and fulfilled.

DATED at the City of Saskatoon, in the Province of Saskatchewan this 7th day of October, 2019.

PRIMEWEST MORTGAGE INVESTMENT CORPORATION Corporate Seal

(seal)

THIS IS EXHIBIT "H" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires:
Or being a solicitor.

M Kaminsky

Marlene Kaminsky, Interim Chief Executive Officer

# TAB I

THIS IS EXHIBIT "I" REFERRED TO IN
THE AFFIDAVIT OF MARLENE KAMINSKY
SWORN BEFORE ME AT SASKATOON,
SASKATCHEWAN THIS 9TH DAY
OF OCTOBER, 2019.

A Commissioner for Oaths in and
for the Province of SASKATCHEWAN
~~my commission expires:~~
Or being a solicitor.

PrimeWest
Mortgage Investment Corporation

# Financial Statements

December 31, 2018

KPMG LLP
500-475 2nd Avenue South
Saskatoon Saskatchewan S7K 1P4
Canada
Tel (306) 934-6200
Fax (306) 934-6233

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of PrimeWest Mortgage Investment Corporation

## *Opinion*

We have audited the financial statements of PrimeWest Mortgage Investment Corporation (the Entity), which comprise:

- the statements of financial position as at December 31, 2018 and December 31, 2017
- the statements comprehensive loss for the years then ended
- the statements of changes in shareholders' equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

## *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

KPMG

## *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements, which indicates that Entity incurred net losses of $1,779,157 during the year ended December 31, 2018 and, as of that date, had a deficit of $8,256,879.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

## *Other Information*

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

KPMG

## *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountant

The engagement partner on the audit resulting in this auditors' report is Scott Douglas Verity.

Saskatoon, Canada

March 26, 2019

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION
## Statements of Financial Position
(Expressed in Canadian Dollars)

| | Notes | December 31, 2018 $ | December 31, 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | 48,400 | 50,431 |
| Mortgages receivable | 6 | 4,124,730 | 5,719,891 |
| Assets taken in settlement of debt | 7 | 5,038,320 | 6,377,715 |
| Other assets | | 48,643 | 54,090 |
| **Total Assets** | | 9,260,093 | 12,202,127 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Liabilities** | | | |
| Demand loan | 8 | 1,753,546 | 2,907,037 |
| Other liabilities | | 85,891 | 91,448 |
| | | 1,839,437 | 2,998,485 |
| **Shareholders' Equity** | | | |
| Shareholders' capital | 9 | 15,677,535 | 15,681,364 |
| Accumulated deficit | | (8,256,879) | (6,477,722) |
| | | 7,420,656 | 9,203,642 |
| **Total Liabilities and Shareholders' Equity** | | 9,260,093 | 12,202,127 |
| Shares outstanding | 9 | 1,888,374 | 1,890,729 |
| Commitments and contingent liabilities | 14 | | |
| Going concern | 1 | | |

The accompanying notes are an integral part of these Financial Statements.

*"Tom Robinson"*
Director

*"Wil Olive"*
Director

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION
## Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| | Notes | For the years ended December 31, 2018 $ | December 31, 2017 $ |
|---|---|---|---|
| **Interest income** | | | |
| Mortgage interest | | 607,394 | 1,333,437 |
| Fees | | 76,379 | 168,076 |
| | | 683,773 | 1,501,513 |
| **Interest expense** | | 185,030 | 237,597 |
| **Net interest income** | | 498,743 | 1,263,916 |
| Less: | | | |
| Provision for mortgage losses | 6 | 277,086 | 2,733,317 |
| Loss on assets taken in settlement of debt | 7 | 1,425,563 | 994,913 |
| **Net interest loss after provision for losses** | | (1,203,906) | (2,464,314) |
| **Non-interest expenses** | | | |
| Advertising and promotion | | 2,016 | 324 |
| Contracted services | | 16,876 | 22,364 |
| Depreciation of property and equipment | | 891 | 977 |
| Directors' fees | 11 | 78,000 | 87,300 |
| Insurance | | 26,232 | 16,285 |
| Office and administration | | 66,705 | 63,084 |
| Professional fees | | 157,889 | 138,268 |
| Rent | | 26,012 | 40,104 |
| Wages and benefits | | 200,630 | 244,868 |
| | | 575,251 | 613,574 |
| **Total comprehensive loss for the year** | | (1,779,157) | (3,077,888) |
| **Loss per share** | | | |
| Basic and diluted | 10 | ($.94) | ($1.63) |

The accompanying notes are an integral part of these Financial Statements.

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION
## Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

| | Notes | Shareholders' capital $ | (Accumulated losses) $ | Total equity $ |
|---|---|---|---|---|
| As at January 1, 2017 | | 15,681,364 | (3,399,834) | 12,281,530 |
| Total comprehensive loss for the year | | - | (3,077,888) | (3,077,888) |
| As at December 31, 2017 | | 15,681,364 | (6,477,722) | 9,203,642 |
| As at January 1, 2018 | | 15,681,364 | (6,477,722) | 9,203,642 |
| Share redemption | | (3,829) | - | (3,829) |
| Total comprehensive loss for the year | | - | (1,779,157) | (1,779,157) |
| **As at December 31, 2018** | | 15,677,535 | (8,256,879) | 7,420,656 |

The accompanying notes are an integral part of these Financial Statements.

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION
## Statements of Cash Flows
(Expressed in Canadian Dollars)

| | Notes | For the years ended December 31, 2018 $ | December 31, 2017 $ |
|---|---|---|---|
| **Operating activities** | | | |
| Total comprehensive loss for the year | | (1,779,157) | (3,077,888) |
| Adjustments to reconcile loss from operations to net cash flows: | | | |
| Interest income | | (683,773) | (1,501,513) |
| Interest expense | | 185,030 | 237,597 |
| Provision for mortgage losses | 6 | 277,086 | 2,733,317 |
| Loss on assets taken in settlement of debt | 7 | 1,425,563 | 994,913 |
| Depreciation of property and equipment | | 891 | 977 |
| Interest received | | 460,201 | 1,070,063 |
| Interest paid | | (185,030) | (237,597) |
| Proceeds from disposal of assets taken in settlement of debt | | 30,000 | 2,802,768 |
| Costs incurred to sell asset taken in settlement of debt | | (116,168) | (392,052) |
| Change in operating assets and liabilities: | | | |
| Mortgages receivable | | 1,541,647 | (54,186) |
| Other assets | | 4,556 | (9,732) |
| Other liabilities | | (5,557) | (151,080) |
| **Net cash flows from operating activities** | | 1,155,289 | 2,415,587 |
| **Financing activities** | | | |
| Repayments of related party loans | 11 | - | (1,003,507) |
| Redemption of share capital | 9 | (3,829) | - |
| Repayment of demand loan | | (1,153,491) | (1,414,084) |
| **Net cash flows used in financing activities** | | (1,157,320) | (2,417,591) |
| Net decrease in cash and cash equivalents | | (2,031) | (2,004) |
| Cash and cash equivalents, beginning of year | | 50,431 | 52,435 |
| **Cash and cash equivalents, end of year** | | 48,400 | 50,431 |

The accompanying notes are an integral part of these Financial Statements.

# 1 Nature of Operations and Going Concern

PrimeWest Mortgage Investment Corporation (the "Company") was incorporated under *The Saskatchewan Business Corporations Act* on March 22, 2005 and commenced operations in October 2005, as a Mortgage Investment Corporation (MIC).

The Company provided lending on security of mortgages on real properties situated in the Provinces of Saskatchewan, Manitoba and Alberta. The mortgages transacted by the Company do not generally meet the underwriting criteria of conventional lenders. As a result the investments are subject to greater risk and accordingly earn a higher rate of interest than is generally available through conventional mortgage lending activities. Events in 2016 led to significant changes in the operations of the Company and various legal actions as described in Note 14.

The Company is a reporting issuer under securities laws trading on the Canadian Securities Exchange under the symbol PRI.

The Company's head office is located at 307 Jessop Ave., Saskatoon, Saskatchewan S7N 1Y5 and its registered office is located at 1000 – 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2018, the Company incurred a net loss of $1,779,157 (2017 - $3,077,888) and has an accumulated deficit of $8,256,879. The decrease in the estimated fair value of the mortgage receivable portfolio, assets taken in settlement of debt and the reduced level of income generating assets casts significant doubt on the Company's ability to sustain operations. While the Company is using its best efforts to realize the value of its assets, in the current economic conditions it is difficult to predict the outcome of these efforts. All of these factors indicate the existence of a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. These financial statements do not include adjustments to the measurement of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business at amounts different from those in the accompanying financial statements.

# 2 Statement of Compliance and Basis of Presentation

These Financial Statements for the year ended December 31, 2018 represent the Company's annual Financial Statements prepared in accordance with International Accounting Standard ("IFRS"), and interpretations as issued by the International Accounting Standards Board ("IASB").

These Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

The financial statements have been prepared on the historic cost basis, except for cash and cash equivalents and assets taken in settlement of debt, which are measured at fair value on each reporting date.

The Financial Statements of the Company for the year ended December 31, 2018 were authorized for issue in accordance with a resolution of the directors on March 22, 2019.

# 3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Financial Statements are:

**Expected credit losses on mortgages**
The Company assesses the impairment and extent of losses on mortgages at each reporting date. Judgment by management is required in assessing when there has been a significant increase in credit risk (Stage 2) or when a mortgage is impaired (Stage 3). Estimates are required of the amount and timing of future cash flows when determining credit losses.

In estimating expected cash flows, the Company makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Key assumptions in determining expected credit losses are disclosed in note 5(B).

**Assets taken in settlement of debt**
Assets taken in settlement of debt are properties acquired by the Company that were originally pledged as security on mortgages. These assets are intended for resale and are carried at fair value as disclosed in note in note 5(D). Estimates of the fair value of these assets are determined by inspecting the property, obtaining appraisals and speaking with realtors in the area.

# 4 Changes in Accounting Policies

## A) IFRS 9 Financial Instruments

The Company adopted IFRS 9 Financial Instruments issued in July 2014 effective January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 has resulted in changes in accounting policies related to the classification, measurement and impairment of financial assets, which are primarily comprised of mortgages. There are no significant changes in accounting policies for financial liabilities, derivative instruments and derecognition of financial assets and liabilities. Changes in presentation and disclosures are reflected in these financial statements. The details of the Company's accounting policies arising from the adoption of IFRS 9 are described in note 5(B)

This change in accounting policy was adopted retrospectively, with no restatement of comparatives.

# 4 Changes in Accounting Policies (continued)

Classification of Financial Instruments on date of initial application of IFRS 9, January 1, 2018:

| | Original Classification under IAS 39 | New Classification under IFRS 9 | Original Carrying Amount under IAS 39 | New Carrying Amount under IFRS 9 |
|---|---|---|---|---|
| Cash and cash equivalents | Loans and receivables | Amortized cost | 50,431 | 50,431 |
| Mortgages receivable | Loans and receivables | Amortized cost | 5,719,891 | 5,719,891 |
| Other assets | Loans and receivables | Amortized cost | 54,090 | 54,090 |
| Demand loan | Amortized cost | Amortized cost | 2,907,037 | 2,907,037 |
| Other liabilities | Amortized cost | Amortized cost | 91,448 | 91,448 |

Due primarily to the staging of the Company's mortgage portfolio, there were no remeasurement adjustments arising from the adoption of IFRS 9. The adoption of IFRS 9 had no material impact on the results of operations in the current year.

## B) IFRS 15 Revenue Recognition

In 2018, the Company adopted IFRS 15 which establishes the principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard provides a single, principles based 5 step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments and leases. Due to its current operations, the Company has not been impacted by this new standard.

## C) Future Accounting Pronouncement

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

### IFRS 16 Leases

IFRS 16, Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ("lessee") and the supplier ("lessor"). IFRS 16 is effective from January 1, 2019. All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. The Company has not yet determined the impact of IFRS 16 on its financial statements.

# 5 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

## A) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management system. Cash subject to restrictions that prevent its use for current purposes is reported in restricted cash.

## B) Financial instruments

***Recognition and initial measurement***

Financial instruments are recognized on the date of origination at the fair value of consideration exchanged. Except for financial instruments carried at fair value through profit or loss, the initial measurement includes transaction costs that are directly attributable to its issuance.

***Classification and subsequent measurement***

The Company's financial assets are predominantly comprised of mortgages receivable.

Mortgages continue to be classified as amortized cost instruments using the effective interest rate method. Classification of debt instruments is determined based on:

(i) the business model under which the asset is held; and
(ii) the contractual cash flow characteristics of the instrument

Mortgages are managed in order to generate cash flows from collection of contractual cash flows. Contractual cash flows are consistent with basic lending arrangements and represent cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments.

Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for liquidity risk and administrative costs, as well as a profit margin.

Prior to January 1, 2018, mortgages receivables were classified as loans and receivables which were also measured at amortized cost.

All other financial assets and liabilities are classified as amortized cost instruments. Prior to January 1, 2018, these instruments were also carried at amortized cost.

***De-recognition of financial assets***

De-recognition of a financial asset occurs when:

- The Company does not have rights to receive cash flows from the asset;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
  - The Company has transferred substantially all the risks and rewards of the asset, or
  - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# 5 Summary of Significant Accounting Policies (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred or retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in comprehensive income.

***Impairment***

The Company recognizes expected credit losses (ECL) at an amount equal to 12 month ECL, if the credit risk on a mortgage at the reporting date has not increased significantly since initial recognition (Stage 1). A lifetime ECL is recorded on performing mortgages which are considered to have experienced a significant increase in credit risk (Stage 2) and on credit impaired financial assets (Stage 3).

The main factors considered in determining a significant increase in credit risk include relative changes in probability of default since origination and certain other criteria such loan delinquency.

Evidence of a significant increase in credit risk include factors such as:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the mortgage.

Mortgages overdue for 30 days are considered Stage 2 mortgages and those overdue by 90 days are considered impaired (Stage 3).

Credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events over the expected life of a financial instrument.

The probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

# 5 Summary of Significant Accounting Policies (continued)

Prior to January 1, 2018, the Company assessed at each reporting date whether there was any objective evidence that a mortgage receivable was impaired. Specific allowances were recorded on a mortgage-by-mortgage basis if management determined that a mortgage receivable was impaired. In such cases, a specific provision was established to write down the loan to the estimated future net cash flows from the loan discounted at the loans' original effective interest rate. In cases where it was impractical to estimate the future cash flows, the carrying amount of the loan was reduced to its fair value calculated based on an observable market price. Specific allowances included consideration of the credit worthiness of individual borrowers and the value of the collateral underlying the loan.

For mortgages not subject to a specific allowance assessment, mortgages were then assessed collectively to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective provision took account of data from the loan portfolio and based on analysis of historical data, such as credit quality, levels of arrears, historical performance and economic outlook. Collective allowances also considered current economic conditions.

***Presentation of Allowance for ECL***

Mortgages receivable are presented on a net basis, where the loss allowances for ECL are deducted from the gross carrying amount of the assets.

***Write-offs***

Mortgages are written off when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or a source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities.

## C) Assets taken as settlement of debt

Assets taken as settlement of debt are initially recorded at carrying value of the mortgage receivable which comprises principal, costs incurred, accrued interest and the related allowance for mortgage losses. Cost subsequently includes disbursements related to the asset, less any revenues or lease payments received. Assets taken as settlement of debt are re-measured to fair value at each reporting period.

## D) Fair value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market and non-financial assets, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

# 5 Summary of Significant Accounting Policies (continued)

The Company classifies fair value measurements recognized in the Statement of Financial Position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions.

## E) Revenue recognition

Interest income is recognized on the Statement of Comprehensive Income for all financial assets measured at amortized cost using the effective interest rate method applied to the amortized cost of the asset. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The application of the method has the effect of recognizing revenue of the financial instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

Fee revenue received is amortized into income over the term of the specific mortgage using the effective interest rate method.

## F) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses if any. Such cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different lives, they are accounted for as separate items of property, plant and equipment. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in the Statement of Comprehensive Income as incurred.

Depreciation is calculated to recognize the cost less estimated residual value using the straight-line method over the estimated useful life of the assets, typically 3 years.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Gains or losses arising from de-recognition of an item of property and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Comprehensive Income when the asset is derecognized.

## G) Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a finance lease. At the inception of a finance lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value at inception of the lease. Assets under finance leases are amortized on the straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

# 5 Summary of Significant Accounting Policies (continued)

## H) Taxes

Income tax expense comprises current and deferred tax. Current income tax is the expected tax payable or receivable in respect of the taxable income or loss for the year, using income tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years. Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between financial statement carrying amounts and amounts used for taxation purposes. These amounts are measured using enacted or substantially enacted income tax rates at the reporting date and re-measured annually for rate changes. Deferred income tax assets are recognized for the benefit of deductions available to be carried forward to future periods for income tax purposes to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized. Any effect of the re-measurement or re-assessment is recognized through profit or loss in the period of change.

Mortgage Investment Corporations (MIC's) are able to deduct, in computing taxable income, dividends paid to its shareholders during the year or within 90 days after year end. This deduction is dependent on a Company qualifying as a MIC at the time of a distribution.

## I) Share capital

Shares issued are classified as either a financial liability or equity in accordance with the substance of the contractual terms of the instrument.

Dividends payable to holders of Class A shares are recognized, when declared, in the statement of changes in shareholders' equity.

## J) Share issue costs

Share issue costs include legal and accounting fees and brokerage commissions. These costs are charged against share capital in the year of share issuance. Costs incurred for shares that have not been issued at year end are deferred until such time as the related shares are issued.

# 6 Mortgages receivable

*Distribution of mortgages:*

Portfolio of 21 (2017 – 27) mortgages bearing interest at fixed rates from 5.0% to 13.0% (2017 – 5.0% to 13.0%) with maturities ranging from January 2019 to November 2021, secured by real property to which they relate and by additional security in certain circumstances.

***December 31, 2018***

| | Number of mortgages | Gross carrying value | Expected credit loss | Net carrying value |
|---|---|---|---|---|
| Residential | 14 | 2,549,121 | 1,004,520 | 1,544,601 |
| Commercial | 7 | 9,546,166 | 6,966,037 | 2,580,129 |
| | | | | |
| Total | 21 | 12,095,287 | 7,970,557 | 4,124,730 |

***December 31, 2017***

| | Number of mortgages | Gross carrying value | Allowance for credit losses | Net carrying value |
|---|---|---|---|---|
| Residential | 19 | 4,371,449 | 1,441,949 | 2,929,500 |
| Commercial | 8 | 8,992,279 | 6,201,888 | 2,790,391 |
| | | | | |
| Total | 27 | 13,363,728 | 7,643,837 | 5,719,891 |

*Maturities and yields:*

| ***December 31, 2018*** | ***Within 3 months*** | ***Over 3 months to 1 year*** | ***Over 1 year*** | ***Total*** |
|---|---|---|---|---|
| Total mortgages | 11,894,202 | 162,890 | 38,195 | 12,095,287 |
| *Effective interest rate %* | 10.4% | 10.5% | 10.8% | 10.4% |

| ***December 31, 2017*** | ***Within 3 months*** | ***Over 3 months to 1 year*** | ***Over 1 year*** | ***Total*** |
|---|---|---|---|---|
| Total mortgages | 12,868,068 | 449,727 | 45,933 | 13,363,728 |
| *Effective interest rate %* | 10.7% | 10.3% | 10.9% | 10.7% |

## 6 Mortgages receivable (continued)

*Mortgage allowance details*

***For the year ended December 31, 2018 allowance for credit losses under IFRS 9***

| | *Performing (Stage 1)* | *Significant increase in credit risk (Stage 2)* | *Expected Credit Losses on Impaired Mortgages (Stage 3)* | *Total* |
|---|---|---|---|---|
| ***Residential Mortgages – Gross Carrying Value*** | - | 491,517 | 2,057,604 | **2,549,121** |
| **Expected Credit Loss Balance on Residential Mortgages, beginning of year** | - | 151,398 | 1,290,551 | 1,441,949 |
| Provision for mortgage losses | | | | |
| Re-measurement | - | (46,430) | 134,963 | 88,533 |
| Transfers | - | (7,810) | 7,810 | - |
| Total provision for year | - | (54,240) | 142,773 | 88,533 |
| Unwind of discount | - | - | 117,216 | 117,216 |
| Accounts written off | - | - | (643,178) | (643,178) |
| **Expected Credit Loss Balance on Residential Mortgages, end of year** | - | **97,158** | **907,362** | **1,004,520** |
| ***Commercial Mortgages – Gross Carrying Value*** | - | 1,834,301 | 7,711,865 | **9,546,166** |
| **Expected Credit Loss Balance on Commercial Mortgages, beginning of year** | - | 146,571 | 6,055,317 | 6,201,888 |
| Provision for mortgage losses | | | | |
| Re-measurement | - | 2,227 | 186,326 | 188,553 |
| Transfers | - | - | - | - |
| Total provision for year | - | 2,227 | 186,326 | 188,553 |
| Unwind of discount | - | - | 602,295 | 602,295 |
| Accounts written off | - | - | (26,699) | (26,699) |
| **Expected Credit Loss Balance on Commercial Mortgages, end of year** | - | **148,798** | **6,817,239** | **6,966,037** |

# 6 Mortgages receivable (continued)

***For the year ended December 31, 2017 allowance for credit losses under IAS 39***

*Mortgage allowance details*

| | *Specific* | *Collective* | *Total* |
|---|---|---|---|
| Balance, beginning of year | 5,404,882 | 859,554 | 6,264,436 |
| Provision for mortgage losses | 3,294,902 | (561,585) | 2,733,317 |
| Unwind of discount | 566,810 | - | 566,810 |
| Accounts written off | (1,920,726) | - | (1,920,726) |
| **Balance, end of year** | **7,345,868** | **297,969** | **7,643,837** |

*Mortgages past due but not impaired*

A mortgage is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of mortgages at year-end that are past due but not classified as impaired because they are fully secured and collection efforts are reasonably expected to result in repayment.

***December 31, 2018***

| | *Under 30 days* | *31-60 days* | *61-90 days* | *Total* |
|---|---|---|---|---|
| **Residential** | **-** | **37,823** | **-** | **37,823** |
| **Commercial** | **-** | **1,671,770** | **-** | **1,671,770** |
| | **-** | **1,709,593** | **-** | **1,709,593** |
| **Appraised value of collateral** | **-** | **3,097,096** | **-** | **3,097,096** |

***December 31, 2017***

| | *Under 30 days* | *31-60 days* | *61-90 days* | *Total* |
|---|---|---|---|---|
| Residential | 723,585 | - | - | 723,585 |
| Commercial | - | - | - | - |
| | 723,585 | - | - | 723,585 |
| Appraised value of collateral | 1,087,096 | - | - | 1,087,096 |

The principal collateral and other credit enhancements the Company holds as security for loans include (i) property insurance, and mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the mortgages past due but not impaired.

## 7 Assets taken in settlement of debt

| *For the year ended* | *Properties* | *December 31, 2018 Amount ($)* | *Properties* | *December 31, 2017 Amount ($)* |
|---|---|---|---|---|
| Balance, beginning of period | 4 | 6,377,715 | 9 | 1,665,582 |
| Mortgages settled by taking property | - | - | 4 | 8,117,762 |
| Costs incurred to sell | | 116,168 | | 392,052 |
| Incremental loss recognized | | (1,425,563) | | (994,913) |
| Properties sold | (2) | (30,000) | (9) | (2,802,768) |
| **Balance, end of year** | **2** | **5,038,320** | **4** | 6,377,715 |

Assets taken in settlement of debt are carried at fair value using Level 3 inputs including property appraisals. All of the assets taken on settlement of debt are residential properties.

## 8 Demand loan

| | December 31, 2018 $ | December 31, 2017 $ |
|---|---|---|
| Operating line of credit | 1,753,546 | 2,907,037 |
| | 1,753,546 | 2,907,037 |

The margined, demand operating line of credit bears interest at prime plus 2.0% (2017 – prime plus 1.5%), has an authorized limit which is the lesser of the margin calculation and $7,500,000 (December 31, 2017 - $7,500,000) and is secured by a general security agreement and an assignment of mortgages receivable. The operating line's margin is calculated using variable percentages of eligible mortgages as set out by the bank. The annual review of the credit agreement completed in June 2018 reflected an increase to the interest rate to prime plus 2.0% from prime plus 1.5%.

At year-end the maximum margin available was $4,434,500 (December 31, 2017 - $6,081,200).

The credit agreement contains certain financial covenants that must be maintained. At December 31, 2018 the Company was in compliance with all financial covenants.

# 9 Shareholders' equity

## A) Authorized shares

The Company's authorized share capital consists of:

- An unlimited number of Class A voting, common shares, redeemable at the option of the Company and retractable at the option of the holder. A shareholder calls for redemption of shares held by such shareholder by giving notice to the Company during the period April 1 to April 30th of a particular year (the "Redemption Period"), the Company shall on or before July 31st, and provided redemption requests for the year do not exceed 10% of the issued and outstanding Class A Shares, redeem the shares at the price equal to the lesser of (a) $10.00 per share; and (b) the book value per Class A Share as stated in the audited financial statements for the year ended immediately prior to the Redemption Period. The Board may at its discretion waive the restriction and increase the number of Class "A" shares that the Company may redeem in any fiscal year.

- If the shareholder requests redemption within the first year of issuance, a redemption penalty of 3% will apply, unless waived by the Board of Directors. The maximum annual redemption is 10% of the issued and outstanding shares at the beginning of the fiscal year. In an effort to enhance the share liquidity for the shareholders, the Company began trading on the Canadian Securities Exchange under the symbol PRI.

- An unlimited number of Class B common shares may, at any time, or from time to time, be issued in one or more series. The Board of Directors, subject to certain limitations, shall determine upon issuance of any Class B shares the number of shares to be issued and the designation, rights, privileges, restrictions and conditions attached to those shares. None of these are defined in the articles of the Company and would therefore be presented to shareholders for approval.

## B) Issued and outstanding

| **Class A Common shares** | **Number of Shares** | **$** |
|---|---|---|
| At December 31, 2016 | 1,890,729 | 15,681,364 |
| At December 31, 2017 | **1,890,729** | **15,681,364** |
| | | |
| Shares redeemed | (2,355) | (3,829) |
| At December 31, 2018 | **1,888,374** | **15,677,535** |

Class A shares represent the residual equity interest of the Company, the redemption feature applies to all the Class A shares, the shares have no preferential rights and the redemption event is the same for all the Class A shares and accordingly are recorded as equity.

To satisfy an outstanding receivable, during 2018, the Board approved the return to treasury of 2,355 (2017 – Nil) shares. The valuation was determined in early July 2018 based on the average CSE traded price of $1.63 per share.

# 10 Loss per share

**Basic loss per share**

Basic loss per share is calculated by dividing loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The denominator (number of units) is calculated by adjusting the shares in issue at the beginning of the year by the number of shares bought back or issued during the year, multiplied by a time-weighting factor.

Weighted average number of common shares

| | December 31, 2018 $ | December 31, 2017 $ |
|---|---|---|
| Issued common shares outstanding, beginning of year | **1,890,729** | 1,890,729 |
| Effect of shares redeemed | **(65)** | - |
| Weighted average number of common shares, end of year | **1,890,664** | 1,890,729 |

| | December 31, 2018 $ | December 31, 2017 $ |
|---|---|---|
| Total comprehensive loss | **(1,779,157)** | (3,077,888) |
| Weighted average number of common shares | **1,890,664** | 1,890,729 |
| Loss per share | **(.94)** | (1.63) |

There is no dilutive effect during the years ending December 31, 2018 or December 31, 2017. Therefore, the basic loss per share equals the diluted loss per share.

# 11 Related party disclosure

**Compensation of key management personnel**

Key management personnel ("KMP") consist of the CEO and CFO. KMP remuneration includes the following expenses:

| | December 31, 2018 $ | December 31, 2017 $ |
|---|---|---|
| Salaries, fees and short-term benefits | **120,000** | 159,375 |

**Transactions with directors**

The remuneration of directors during the year consisted of directors fees in the amount of $78,000 (2017 – $87,300).

In the year-ended December 31, 2018 the Company paid property maintenance and inspection fees on defaulted mortgages in the amount of $6,265 (2017 - $992) to a Management Company in which a director is a shareholder. These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# 12 Capital management

The Company's objectives when managing capital are to (i) maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and (ii) to manage capital in a manner which balances the interests of equity and debt holders.

The Company's definition of capital includes shareholders' equity. Capital is monitored for any of these items if applicable.

*The Company* seeks to facilitate the management of its capital requirements by preparing annual expenditure budgets that are updated as necessary and approved by the Board of Directors. The Company may occasionally need to increase these levels to facilitate acquisition or expansion activities, however there are no established quantitative returns on capital requirements for management. The Company considers the capital structure to consist of debt and shareholders' equity. The Company considers debt to include bank indebtedness, demand loans and due to related parties.

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| | $ | $ |
| Demand loan | **1,753,546** | 2,907,037 |
| Other liabilities | **85,891** | 91,448 |
| **Total debt** | **1,839,437** | 2,998,485 |
| Shareholders' equity | **7,420,656** | 9,203,642 |
| **Total capitalization** | **9,260,093** | 12,202,127 |

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, redeem shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and issue new debt to replace existing debt.

Pursuant to the Company's credit agreement (Note 8) it is required to meet certain financial covenants. If the Company is in violation of any of these covenants its ability to pay dividends may be inhibited. The Company monitors these covenants to ensure it remains in compliance.

# 13 Financial instruments and risk management

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

### Risk management policy

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk. The Company's overall risk management program focuses on avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Company follows risk management policies approved by its Board of Directors.

# 13 Financial instruments and risk management (continued)

These risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Company;
- Balance risk and return;
- Manage credit, market and liquidity risk through preventative and detective controls;
- Ensure credit quality is maintained;
- Ensure credit, market, and liquidity risk are maintained at acceptable levels;
- Diversify risk in transactions, customer relationships and loan portfolios;
- Price according to risk taken; and
- Use consistent credit risk exposure tools.

Risk management is carried out by senior management, the policies of which are determined by the Board of Directors.

There have been no significant changes from the previous year in the policies and procedures or methods used to measure risk.

### Credit risk

Credit risk is defined as the risk that a mortgagor will be unable to fulfill their mortgage commitments. Credit risk primarily arises from mortgages receivable. Management and the Board of Directors review and update the credit risk policy annually.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographical region, and indicate the relative sensitivity of the Company's performance to developments affecting a particular segment of borrowers or geographical region. Geographical risk exists for the Company due to its primary service area being Saskatoon, Regina and surrounding areas.

***Credit risk management for mortgage portfolio***

The Company mitigates this risk by having well established lending policies in place. Policies include but are not limited to:

1. All mortgage applications undergo a comprehensive due diligence process adhering to investment restrictions and operating policies development by the Company.
2. Prior to funding, the Company will obtain current appraisals on all properties which secure the loan. The appraisals will be completed by an accredited appraiser approved by the Company.
3. All mortgages are registered as charges against real property, provided that the overall loan to appraised value ratio does not exceed 85% at funding (including prior charges).
4. The initial term of a mortgage cannot exceed 24 months.
5. The Company will not make a mortgage loan, if immediately after the closing of the loan transaction; the amount so lent would be greater than 20% of the Company's net assets.
6. Management actively monitors the mortgage portfolio.

Risk is measured by reviewing qualitative and quantitative factors that impact the mortgage portfolio and starts at the time of a credit application and continues until the loan is fully repaid.

# 13 Financial instruments and risk management (continued)

***Analysis of maximum exposure to credit and collateral***
The maximum exposure to credit risk at December 31, 2018 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total $4,124,730 (December 31, 2017 - $5,719,891).

To reduce the exposure the Company holds collateral as security on its mortgages. The collateral consists of a charge against real property on each mortgage. At December 31, 2018 the fair value of the collateral on the mortgages receivable is in excess of the fair value of the mortgages receivable.

***Credit quality, mortgage types and renegotiated mortgages***
The Company`s portfolio consists of both residential and commercial mortgages as follows before the allowance for mortgage losses of $7,970,557 (2017 - $7,643,837)

| | December 31, 2018 $ | December 31, 2017 $ |
|---|---|---|
| Residential first mortgages | **2,176,966** | 4,211,678 |
| Residential second mortgages | **38,190** | 38,074 |
| Commercial first mortgages | **5,433,952** | 5,279,997 |
| Commercial second mortgages | **4,112,214** | 3,712,282 |
| Residential mortgages with no security | **333,965** | 121,697 |
| | **12,095,287** | 13,363,728 |

*First mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 85% at funding.
**Second mortgages are loans with mortgage charges not registered in first priority with loan to values not exceeding 85% at funding.

The mortgage portfolio consists of mortgages that have been registered 81.4% in Saskatchewan (December 31, 2017 – 84.7%), 18.1% in Alberta (December 31, 2017 – 14.9%) and 0.5% in Manitoba (December 31, 2017 – 0.4%).

The Company does not internally assign credit quality ratings to its mortgages that are neither past due nor impaired. In addition, there is a limited market for such a portfolio of mortgages so standard credit ratings have not been used. However, the Company actively monitors its mortgage portfolio, the quality of the mortgages and any impairment.

Additional information on credit quality and mortgages past due but not impaired is included in Note 6.

***Collateral obtained***
During the year the Company did not obtain any assets by taking possession of collateral it holds as security in settlement of debt. The Company took possession of $Nil (December 31, 2017 - $8,117,762) of property (Note 7). The Company`s policy for these assets is to sell the assets to recover funds loaned.

**Liquidity risk**
Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due. To limit this risk, the Company's approach is to ensure that it has sufficient cash and credit facilities to meet its liabilities when due, under both normal and stressed circumstances.

## 13 Financial instruments and risk management (continued)

The Company's operating cash requirements are continuously monitored by Management and the Board of Directors. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining additional debt financing. In addition, the mortgage receivables have short maturity terms (3 – 24 months) which provide additional liquidity in the event of an unforeseen interruption of cash flow. The Company can convert the mortgages, if needed, to cash instead of renewing for another term or lending under a new mortgage.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| | On demand | Less than 3 months | 3 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| **As at December 31, 2018** | | | | | |
| Demand loan | **1,753,546** | **-** | **-** | **-** | **1,753,546** |
| Other liabilities | **-** | **85,891** | **-** | **-** | **85,891** |
| | **1,753,546** | **85,891** | **-** | **-** | **1,839,437** |

| | On demand | Less than 3 months | 3 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| **As at December 31, 2017** | | | | | |
| Demand loan | 2,907,037 | - | - | - | 2,907,037 |
| Other liabilities | - | 91,448 | - | - | 91,448 |
| | 2,907,037 | 91,448 | - | - | 2,998,485 |

The Company manages liquidity risk on a net asset and liability basis. The following tables explain the contractual maturities of financial assets held for the purpose of managing liquidity risk. While best efforts are made to collect on mortgages due, payouts of mortgages receivable may not occur on the maturity dates.

| | On demand | Less than 3 months | 3 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| **As at December 31, 2018** | | | | | |
| Cash and cash equivalents | **48,400** | **-** | **-** | **-** | **48,400** |
| Mortgages receivable | **-** | **3,942,710** | **161,480** | **20,540** | **4,124,730** |
| Other assets | **48,643** | **-** | **-** | **-** | **48,643** |
| | **97,043** | **3,942,710** | **161,480** | **20,540** | **4,221,773** |

| | On demand | Less than 3 months | 3 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| **As at December 31, 2017** | | | | | |
| Cash and cash equivalents | 50,431 | - | - | - | 50,431 |
| Mortgages receivable | - | 5,248,915 | 445,948 | 25,028 | 5,719,891 |
| Other assets | 54,090 | - | - | - | 54,090 |
| | 104,521 | 5,248,915 | 445,948 | 25,028 | 5,824,412 |

# 13 Financial instruments and risk management (continued)

### Market risk

Market risk is the risk of loss in value of financial instruments that may arise from changes in market factors such as interest rates, equity prices and credit spreads. The Company's exposure changes depending on market conditions. Market risks that have a significant impact on the Company include fair value risk and interest rate risk.

*Risk measurement*

The Company's risk position is measured and monitored each quarter to ensure compliance with policy. Management reports on these matters to the Company's Board of Directors.

*Objectives, policies and processes*

Management is responsible for managing the Company's interest rate risk, monitoring approved limits and compliance with policies. The Company manages market risk by developing and implementing policies, which are approved and periodically reviewed by the Board.

The Company's goal is to achieve adequate levels of profitability, liquidity and safety. The Board of Directors reviews the Company's investment management policies periodically to ensure they remain relevant and effective in managing and controlling risk.

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows of the fair values of financial instruments.

The Company is exposed to interest rate price risk both on its demand loan and its mortgage receivables. The demand loan consists of an operating line of credit that bears interest at variable rates, which exposes the Company to cash flow fluctuations. An increase in prime interest rates will have a direct impact on the cash flows required to service the debt. The fair value of the Company`s mortgage receivables will also be impacted by changes in the market interest rate. On loan origination, the Company`s mortgages are initially short, fixed term mortgages ranging up to 24 months. Any change in the market interest rate will expose the Company to fair value fluctuations in their portfolio.

The Company has managed this risk by maintaining an adequate spread between the interest rate paid on the demand loan and the interest received on the fixed, short-term mortgages. The Company also manages the risk by maintaining a mortgage portfolio of short term, fixed mortgages with rates at a premium from market rates. The average interest rate of the mortgages as at year end was 10.4% (December 31, 2017 – 10.7%). There is no specific market for mortgages of similar type, term and credit risk.

The following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant:

| | ***Demand loan – sensitivity*** | ***Mortgages receivable – sensitivity*** | ***Total December 31, 2018*** | *Demand loan – sensitivity* | *Mortgages receivable – sensitivity* | *Total December 31, 2017* |
|---|---|---|---|---|---|---|
| Increase in 25 basis points | (4,384) | 10,312 | 5,928 | (7,268) | 14,300 | 7,032 |
| Increase in 50 basis points | (8,768) | 20,624 | 11,856 | (14,536) | 28,600 | 14,064 |
| Decrease in 25 basis points | 4,384 | (10,312) | (5,928) | 7,268 | (14,300) | (7,032) |
| Decrease in 50 basis points | 8,768 | (20,624) | (11,856) | 14,536 | (28,600) | (14,064) |

# 13 Financial instruments and risk management (continued)

Demand Loan sensitivity is calculated by applying the basis point change to the balance of the demand loan at year end. The mortgage receivable sensitivity is calculated by applying the basis point change to the balance of the mortgage receivables at year end.

*Interest rate re-price*

| | *On demand* | *Within 3 months* | *Over 3 months to 1 year* | *Over 1 year* | *Not interest sensitive* | ***December 31, 2018 Total*** | *December 31, 2017 Total* |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and cash equivalents | **48,400** | - | - | - | - | **48,400** | 50,431 |
| Mortgages receivable | - | **3,942,710** | **161,480** | **20,540** | - | **4,124,730** | 5,719,891 |
| *Effective interest rate %* | - | **10.4%** | **10.5%** | **10.8%** | - | **10.4%** | 10.7% |
| Other assets | - | - | - | - | **48,643** | **48,643** | 54,090 |
| | **48,400** | **3,942,710** | **161,480** | **20,540** | **48,643** | **4,221,773** | 5,824,412 |
| **Liabilities** | | | | | | | |
| Demand loan | **1,753,546** | - | - | - | - | **1,753,546** | 2,907,037 |
| *Effective interest rate %* | **6.0%** | - | - | - | - | **6.0%** | 4.7% |
| Other liabilities | - | - | - | - | **85,891** | **85,891** | 91,448 |
| | **1,753,546** | - | - | - | **85,891** | **1,839,437** | 2,998,485 |

### Fair values

The Company's financial instruments recognized on the Statement of Financial Position consist of cash, other receivables, mortgages receivable, demand loan, trade and other payables, and due to related parties. The fair values of these recognized financial instruments, excluding mortgages receivable, approximate their carrying values due to their short-term maturity. The fair values of mortgages receivable approximates its carrying value given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without penalties.

### Recurring fair value measurements

The Company's financial assets and liabilities measured at fair value on a recurring basis are comprised of cash which has been categorized in the fair value hierarchy as Level 1.

# 13 Financial instruments and risk management (continued)

**Financial assets and liabilities for which fair value is only disclosed**

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at December 31, 2018 but for which fair value is disclosed:

| December 31, 2018 | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Mortgages receivable** | **4,124,730** | **-** | **-** | **4,124,730** |
| **Other assets** | **48,643** | **-** | **-** | **48,643** |
| **Total Assets** | **4,173,373** | **-** | **-** | **4,173,373** |
| **Liabilities** | | | | |
| **Demand loan** | **1,753,546** | **-** | **1,753,546** | **-** |
| **Other liabilities** | **85,891** | **-** | **-** | **85,891** |
| **Total Liabilities** | **1,839,437** | **-** | **1,753,546** | **85,891** |

| December 31, 2017 | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Mortgages receivable** | 5,719,891 | - | - | 5,719,891 |
| **Other assets** | 54,090 | - | - | 54,090 |
| **Total Assets** | 5,773,981 | - | - | 5,773,981 |
| **Liabilities** | | | | |
| **Demand loan** | 2,907,037 | - | 2,907,037 | - |
| **Other liabilities** | 91,448 | - | - | 91,448 |
| **Total Liabilities** | 2,998,485 | - | 2,907,037 | 91,448 |

All fair values disclosed and categorized within Level 2 of the hierarchy use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

For mortgages receivable classified as Level 3 of the hierarchy, as there are no quoted prices in an active market for these mortgages receivable, the Company makes its determination of fair value based on its assessment of the current mortgage market for mortgages receivable of same or similar terms. Typically, these mortgage investments approximate their carrying values given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without penalties. When collection of the principal amount of a mortgage is no longer reasonably assured, the fair value of the mortgage is reduced to the estimated net realizable value of the underlying security. The net realizable is estimated by looking at market information for comparable properties and market rents when using an income based approach.

# 14 Commitments and contingent liabilities

### Commitments

The Company has entered into a lease agreement for its premises with future minimum lease commitments as follows:

| | $ |
|---|---|
| 2019 | 7,000 |
| **Total** | 7,000 |

At year end the Company committed to funding Nil (December 31, 2017 – 1) mortgages, for a total of $Nil (December 31, 2017 - $658,500)

### Contingent liabilities

In October 2017 the Corporation filed a Statement of Claim against Don Zealand, the former President and Chief Executive Officer of the Corporation. The claim is for breach of corporate policy, gross negligence, and breach of fiduciary duty while acting as President and CEO. Mr. Zealand denies all allegations and pleads counter claim for damages for wrongful dismissal. A defence to the counter claim has been filed by the Corporation's solicitors.

During the year, the following three Statements of Claim were filed with the Court of Queen's Bench for Saskatchewan against the Corporation and existing and past directors of the Corporation. Due to the inherent uncertainties, no accurate quantification of any cost, or timing of such cost which may arise from any of the legal proceedings outlined below can be made.

i) On June 12, 2018 Randy Koroluk commenced a class action lawsuit against the existing and past directors (since 2015) of the Corporation and others. The legal action deals with oversight of the actions of Don Zealand, former CEO of the Corporation, and the collection and disposition of mortgaged assets since the departure of the former CEO. The Statement of Claim alleges several categories of damages, including negligence and breach of trust. The court action cannot proceed until it has been certified as a class action by the Saskatchewan Court of Queen's Bench. A defence will be filed denying all allegations.

ii) On July 13, 2018 Debbie Gloria Burwash served the Corporation and others with a Statement of Claim seeking rescission of her shares or damages in lieu of rescission. The Corporation's solicitors have filed a defence to the claim.

iii) On July 13, 2018 Granite Enterprises Inc. served the Corporation and others with a Statement of Claim seeking rescission of its shares or damages in lieu of rescission. The Corporation's solicitors have filed a defence to the claim.

## 15 Income taxes

The Company has non-capital loss carry forwards for income tax purposes of $8,929,400 which will expire as follows:

| | $ |
|---|---|
| 2031 | 109,380 |
| 2032 | 208,726 |
| 2033 | 196,178 |
| 2036 | 4,930,232 |
| 2037 | 3,072,113 |
| 2038 | 412,771 |
| **Total** | 8,929,400 |

In addition to these non-capital loss carryforwards there are $1,018,412 and $2,085,384 of temporary differences that will become deductible should all recorded allowances for mortgage losses and loss on assets taken in settlement of debt become realized. The potential benefits of these temporary differences and loss carry forwards have not been recognized in these financial statements.

## 16 Comparatives

Certain prior year's comparative figures have been adjusted to conform to the current year's presentation.

# TAB J

THIS IS EXHIBIT "J" REFERRED TO IN
THE AFFIDAVIT OF MARLENE KAMINSKY
SWORN BEFORE ME AT SASKATOON,
SASKATCHEWAN THIS 9TH DAY
OF OCTOBER, 2019.

A Commissioner for Oaths in and
for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

PrimeWest
Mortgage Investment Corporation

# Condensed Interim Financial Statements (Unaudited)

Three and six months ended June 30, 2019

## REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by PrimeWest Mortgage Investment Corporation's management.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION
## Unaudited Condensed Interim Statements of Financial Position
## As at June 30, 2019
(Expressed in Canadian Dollars)

| | Notes | June 30, 2019 $ | December 31, 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | 787,145 | 48,400 |
| Mortgages receivable | 5 | 1,799,768 | 4,124,730 |
| Assets taken in settlement of debt | 6 | 4,158,803 | 5,038,320 |
| Other assets | | 68,257 | 48,643 |
| **Total Assets** | | 6,813,973 | 9,260,093 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Liabilities** | | | |
| Demand loan | 7 | - | 1,753,546 |
| Other liabilities | | 82,000 | 85,891 |
| | | 82,000 | 1,839,437 |
| **Shareholders' Equity** | | | |
| Shareholders' capital | 8 | 15,677,535 | 15,677,535 |
| Accumulated deficit | | (8,945,562) | (8,256,879) |
| | | 6,731,973 | 7,420,656 |
| **Total Liabilities and Shareholders' Equity** | | 6,813,973 | 9,260,093 |
| Shares outstanding | 8 | 1,888,374 | 1,888,374 |
| Commitments and contingent liabilities | 12 | | |
| Going concern | 1 | | |

The accompanying notes are an integral part of these Financial Statements.

*"Tom Robinson"*
Director

*"Wil Olive"*
Director

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION
## Unaudited Condensed Interim Statements of Comprehensive Loss
## For the three and six months ended June 30, 2019 and 2018
(Expressed in Canadian Dollars)

| | Notes | For the three months ended June 30, 2019 $ | June 30, 2018 $ | For the six months ended June 30, 2019 $ | June 30, 2018 $ |
|---|---|---|---|---|---|
| **Interest income** | | | | | |
| Mortgage interest | | 20,594 | 172,571 | 123,312 | 334,429 |
| Fees | | 7,456 | 15,000 | 19,192 | 34,533 |
| | | 28,050 | 187,571 | 142,504 | 368,962 |
| **Interest expense** | | 6,576 | 47,663 | 37,238 | 94,072 |
| **Net interest income** | | 21,474 | 139,908 | 105,266 | 274,890 |
| Less: | | | | | |
| Provision for mortgage losses | 5 | (170,892) | 50,812 | (119,607) | 282,687 |
| Loss on assets taken in settlement of debt | 6 | 701,245 | - | 701,245 | 109 |
| **Net interest income (loss) after provision for losses** | | (508,879) | 89,096 | (476,372) | (7,906) |
| **Non-interest expenses** | | | | | |
| Advertising and promotion | | 23 | 253 | 54 | 1,881 |
| Contracted services | | 2,795 | 4,190 | 5,242 | 6,638 |
| Depreciation of property and equipment | | - | 222 | 148 | 445 |
| Directors' fees | 9 | 14,625 | 19,500 | 29,250 | 39,000 |
| Insurance | | 17,991 | 6,721 | 27,203 | 13,430 |
| Office and administration | | 12,850 | 20,586 | 25,199 | 36,866 |
| Professional fees | | 25,727 | 44,800 | 40,080 | 79,955 |
| Rent | | 4,410 | 7,960 | 8,820 | 17,192 |
| Wages and benefits | | 37,700 | 53,467 | 76,315 | 107,202 |
| | | 116,121 | 157,699 | 212,311 | 302,609 |
| **Total comprehensive loss for the period** | | (625,000) | (68,603) | (688,683) | (310,515) |
| **Loss per share** | | ($0.33) | ($0.04) | ($0.36) | ($0.16) |
| Basic and diluted | | | | | |

The accompanying notes are an integral part of these Financial Statements.

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION
## Unaudited Condensed Interim Statements of Changes in Shareholders' Equity
## For the three and six months ended June 30, 2019 and 2018
(Expressed in Canadian Dollars)

| | Notes | Shareholders' capital $ | (Accumulated losses) $ | Total equity $ |
|---|---|---|---|---|
| As at January 1, 2018 | | 15,681,364 | (6,477,722) | 9,203,642 |
| Total comprehensive loss for the period | | - | (310,515) | (310,515) |
| As at June 30, 2018 | | 15,681,364 | (6,788,237) | 8,893,127 |
| | | | | |
| As at January 1, 2019 | | 15,677,535 | (8,256,879) | 7,420,656 |
| Total comprehensive loss for the period | | - | (688,683) | (688,683) |
| **As at June 30, 2019** | | 15,677,535 | (8,945,562) | 6,731,973 |

The accompanying notes are an integral part of these Financial Statements.

# PRIMEWEST MORTGAGE INVESTMENT CORPORATION
## Unaudited Condensed Interim Statements of Cash Flows
## For the three and six months ended June 30, 2019 and 2018
(Expressed in Canadian Dollars)

| | Notes | June 30, 2019 $ | June 30, 2018 $ |
|---|---|---|---|
| **Operating activities** | | | |
| Total comprehensive loss for the period | | (688,683) | (310,515) |
| Adjustments to reconcile loss from operations to net cash flows: | | | |
| Interest income | | (142,504) | (368,962) |
| Interest expense | | 37,238 | 94,072 |
| Provision for mortgage losses | 5 | (119,607) | 282,687 |
| Loss on assets taken in settlement of debt | 6 | 701,245 | 109 |
| Depreciation of property and equipment | | 148 | 445 |
| Interest received | | 130,266 | 230,783 |
| Interest paid | | (37,238) | (94,072) |
| Proceeds from disposal of assets taken in settlement of debt | | 242,500 | 30,000 |
| Costs incurred to sell asset taken in settlement of debt | | (64,228) | (96,605) |
| Change in operating assets and liabilities: | | | |
| Mortgages receivable | | 2,456,807 | (200,551) |
| Other assets | | (19,762) | 3,764 |
| Other liabilities | | (3,891) | 101,087 |
| **Net cash flows from operating activities** | | 2,492,291 | (327,758) |
| | | | |
| **Financing activities** | | | |
| (Decrease) increase of demand loan | | (1,753,546) | 327,728 |
| **Net cash flows used in financing activities** | | (1,753,546) | 327,728 |
| | | | |
| Net increase (decrease) in cash and cash equivalents | | 738,745 | (30) |
| Cash and cash equivalents, beginning of year | | 48,400 | 50,431 |
| **Cash and cash equivalents, end of period** | | 787,145 | 50,401 |

The accompanying notes are an integral part of these Financial Statements.

# 1 Nature of Operations and Going Concern

PrimeWest Mortgage Investment Corporation (the "Company") was incorporated under *The Saskatchewan Business Corporations Act* on March 22, 2005 and commenced operations in October 2005, as a Mortgage Investment Corporation (MIC).

The Company provided lending on security of mortgages on real properties situated in the Provinces of Saskatchewan, Manitoba and Alberta. The mortgages transacted by the Company do not generally meet the underwriting criteria of conventional lenders. As a result the investments are subject to greater risk and accordingly earn a higher rate of interest than is generally available through conventional mortgage lending activities. Events in 2016 led to significant changes in the operations of the Company and various legal actions as described in Note 12.

The Company is a reporting issuer under securities laws trading on the Canadian Securities Exchange under the symbol PRI.

The Company's head office is located at 307 Jessop Ave., Saskatoon, Saskatchewan S7N 1Y5 and its registered office is located at 1000 – 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At period end the Company incurred a net loss of $688,683 and has an accumulated deficit of $8,945,562. The decrease in the estimated fair value of the mortgage receivable portfolio, assets taken in settlement of debt and the reduced level of income generating assets casts significant doubt on the Company's ability to sustain operations. While the Company is using its best efforts to realize the value of its assets, in the current economic conditions it is difficult to predict the outcome of these efforts. All of these factors indicate the existence of a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. These financial statements do not include adjustments to the measurement of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business at amounts different from those in the accompanying financial statements.

# 2 Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements for the period ended June 30, 2019 represent the Company's quarterly Financial Statements prepared in accordance with International Accounting Standard ("IFRS"), and interpretations as issued by the International Accounting Standards Board ("IASB").

These Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

The financial statements have been prepared on the historic cost basis, except for cash and cash equivalents and assets taken in settlement of debt, which are measured at fair value on each reporting date.

The Financial Statements of the Company for the period ended June 30, 2019 were authorized for issue in accordance with a resolution of the directors on August 16, 2019.

# 3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Financial Statements are:

**Expected credit losses on mortgages**

The Company assesses the impairment and extent of losses on mortgages at each reporting date. Judgment by management is required in assessing when there has been a significant increase in credit risk (Stage 2) or when a mortgage is impaired (Stage 3). Estimates are required of the amount and timing of future cash flows when determining credit losses.

In estimating expected cash flows, the Company makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Key assumptions in determining expected credit losses are disclosed in Note 5(B) of the Company's audited consolidated financial statements for the year ended December 31, 2018.

**Assets taken in settlement of debt**

Assets taken in settlement of debt are properties acquired by the Company that were originally pledged as security on mortgages. These assets are intended for resale and are carried at fair value as disclosed in Note 5 (D) of the Company's audited consolidated financial statements for the year ended December 31, 2018. Estimates of the fair value of these assets are determined by inspecting the property, obtaining appraisals and speaking with realtors in the area.

# 4 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these interim financial statements are consistent with those described in Note 5 of the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the adoption of IFRS16.

**IFRS 16 Leases**

The Company adopted IFRS 16 Leases effective January 1, 2019. IFRS 16, Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ("lessee") and the supplier ("lessor"). All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

## 4 Summary of Significant Accounting Policies (continued)

The Company does not currently have any leases with terms of more than 12 months.

Changes in accounting policy has not resulted in an adjustment to the financial statements.

## 5 Mortgages receivable

*Distribution of mortgages:*

Portfolio of 19 (December 31, 2018 – 21) mortgages bearing interest at fixed rates from 5.0% to 13.0% (December 31, 2018 – 5.0% to 13.0%) with maturities ranging from July 2019 to November 2021, secured by real property to which they relate and by additional security in certain circumstances.

***June 30, 2019***

| | Number of mortgages | Gross carrying value | Expected credit loss | Net carrying value |
|---|---|---|---|---|
| Residential | 13 | 1,773,445 | 1,019,288 | 754,157 |
| Commercial | 6 | 8,258,756 | 7,213,145 | 1,045,611 |
| | | | | |
| Total | 19 | 10,032,201 | 8,232,433 | 1,799,768 |

***December 31, 2018***

| | Number of mortgages | Gross carrying value | Expected credit loss | Net carrying value |
|---|---|---|---|---|
| Residential | 14 | 2,549,121 | 1,004,520 | 1,544,601 |
| Commercial | 7 | 9,546,166 | 6,966,037 | 2,580,129 |
| | | | | |
| Total | 21 | 12,095,287 | 7,970,557 | 4,124,730 |

*Maturities and yields:*

| ***June 30, 2019*** | ***Within 3 months*** | ***Over 3 months to 1 year*** | ***Over 1 year*** | ***Total*** |
|---|---|---|---|---|
| Total mortgages | 9,563,348 | - | 468,853 | 10,032,201 |
| *Effective interest rate %* | 10.5% | - | 6.4% | 10.4% |

| ***December 31, 2018*** | ***Within 3 months*** | ***Over 3 months to 1 year*** | ***Over 1 year*** | ***Total*** |
|---|---|---|---|---|
| Total mortgages | 11,894,202 | 162,890 | 38,195 | 12,095,287 |
| *Effective interest rate %* | 10.4% | 10.5% | 10.8% | 10.4% |

## 5 Mortgages receivable (continued)

*Mortgage allowance details*

| *For the six months ended* | *Performing (Stage 1)* | *Significant increase in credit risk (Stage 2)* | *Expected Credit Losses on Impaired Mortgages (Stage 3)* | *June 30, 2019 Total* | *June 30, 2018 Total* |
|---|---|---|---|---|---|
| ***Residential Mortgages – Gross Carrying Value*** | - | 486,840 | 1,286,605 | **1,773,445** | **4,048,675** |
| **Expected Credit Loss Balance on Residential Mortgages, beginning of period** | - | 97,158 | 907,362 | 1,004,520 | 1,441,949 |
| Provision for mortgage losses | | | | | |
| Re-measurement | - | (57,439) | 39,427 | (18,012) | 229,506 |
| Transfers | - | - | - | - | - |
| Total provision for period | - | (57,439) | 39,427 | (18,012) | 229,506 |
| Unwind of discount | - | - | 58,652 | 58,652 | 65,709 |
| Accounts written off | - | - | (25,872) | (25,872) | (646,281) |
| **Expected Credit Loss Balance on Residential Mortgages, end of period** | - | **39,719** | **979,569** | **1,019,288** | **1,090,883** |
| ***Commercial Mortgages – Gross Carrying Value*** | - | 159,531 | 8,099,225 | **8,258,756** | **9,336,387** |
| **Expected Credit Loss Balance on Commercial Mortgages, beginning of period** | - | 148,798 | 6,817,239 | 6,966,037 | 6,201,888 |
| Provision for mortgage losses | | | | | |
| Re-measurement | - | (136,249) | 34,654 | (101,595) | 53,181 |
| Transfers | | - | - | - | - |
| Total provision for period | - | (136,249) | 34,654 | (101,595) | 53,181 |
| Unwind of discount | - | - | 348,703 | 348,703 | 288,876 |
| Accounts written off | - | - | - | - | (26,699) |
| **Expected Credit Loss Balance on Commercial Mortgages, end of period** | - | **12,549** | **7,200,596** | **7,213,145** | **6,517,246** |

## 5 Mortgages receivable (continued)

| *For the three months ended* | *Performing (Stage 1)* | *Significant increase in credit risk (Stage 2)* | *Expected Credit Losses on Impaired Mortgages (Stage 3)* | *June 30, 2019 Total* | *June 30, 2018 Total* |
|---|---|---|---|---|---|
| ***Residential Mortgages – Gross Carrying Value*** | - | 486,840 | 1,286,605 | **1,773,445** | **4,048,675** |
| **Expected Credit Loss Balance on Residential Mortgages, beginning of period** | - | 97,158 | 959,625 | 1,056,783 | 1,710,259 |
| Provision for mortgage losses | | | | | |
| Re-measurement | - | (57,439) | 14,143 | (43,296) | 4,031 |
| Transfers | - | - | - | - | - |
| Total provision for period | - | (57,439) | 14,143 | (43,296) | 4,031 |
| Unwind of discount | - | - | 31,673 | 31,673 | 22,396 |
| Accounts written off | - | - | (25,872) | (25,872) | (645,803) |
| **Expected Credit Loss Balance on Residential Mortgages, end of period** | - | **39,719** | **979,569** | **1,019,288** | **1,090,883** |
| ***Commercial Mortgages – Gross Carrying Value*** | - | 159,531 | 8,099,225 | **8,258,756** | **9,336,387** |
| **Expected Credit Loss Balance on Commercial Mortgages, beginning of period** | - | 148,798 | 7,005,433 | 7,154,231 | 6,323,895 |
| Provision for mortgage losses | | | | | |
| Re-measurement | - | (136,249) | 8,653 | (127,596) | 46,781 |
| Transfers | | - | - | - | - |
| Total provision for period | - | (136,249) | 8,653 | (127,596) | 46,781 |
| Unwind of discount | - | - | 186,510 | 186,510 | 146,570 |
| Accounts written off | - | - | - | - | - |
| **Expected Credit Loss Balance on Commercial Mortgages, end of period** | - | **12,549** | **7,200,596** | **7,213,145** | **6,517,246** |

# 5 Mortgages receivable (continued)

*Mortgages past due but not impaired*

A mortgage is considered past due when a counterparty has not made a payment by the contractual due date. The table that follows presents the carrying value of mortgages at year-end that are past due but not classified as impaired because they are fully secured and collection efforts are reasonably expected to result in repayment.

***June 30, 2019***

| | ***Under 30 days*** | ***31-60 days*** | ***61-90 days*** | ***Total*** |
|---|---|---|---|---|
| **Residential** | **37,456** | **-** | **-** | **37,456** |
| **Commercial** | **159,531** | **-** | **-** | **159,531** |
| | **196,987** | **-** | **-** | **196,987** |
| **Appraised value of collateral** | **307,096** | **-** | **-** | **307,096** |

***December 31, 2018***

| | *Under 30 days* | *31-60 days* | *61-90 days* | *Total* |
|---|---|---|---|---|
| Residential | - | 37,823 | - | 37,823 |
| Commercial | - | 1,671,770 | - | 1,671,770 |
| | - | 1,709,593 | - | 1,709,593 |
| Appraised value of collateral | - | 3,097,096 | - | 3,097,096 |

The principal collateral and other credit enhancements the Company holds as security for loans include (i) property insurance, and mortgages over residential lots and properties, (ii) recourse to business assets such as real estate, equipment, inventory and accounts receivable, (iii) recourse to commercial real estate properties being financed, and (iv) recourse to liquid assets, guarantees and securities. Valuations of collateral are updated periodically depending on the nature of the collateral. In management's estimation, the fair value of the collateral is sufficient to offset the risk of loss on the mortgages past due but not impaired.

## 6 Assets taken in settlement of debt

| *For the six months ended* | *Properties* | *June 30, 2019 Amount ($)* | *Properties* | *June 30, 2018 Amount ($)* |
|---|---|---|---|---|
| Balance, beginning of period | 2 | 5,038,320 | 4 | 6,377,715 |
| Mortgages settled by taking property | - | - | - | - |
| Net costs incurred to sell | | 64,228 | | 96,605 |
| Incremental loss recognized | | (701,245) | | (109) |
| Properties sold | (1) | (242,500) | (2) | (30,000) |
| **Balance, end of period** | **1** | **4,158,803** | **2** | 6,444,211 |

| *For the three months ended* | *Properties* | *June 30, 2019 Amount ($)* | *Properties* | *June 30, 2018 Amount ($)* |
|---|---|---|---|---|
| Balance, beginning of period | 2 | 5,037,415 | 2 | 6,377,876 |
| Mortgages settled by taking property | - | - | - | - |
| Net costs incurred to sell | | 65,133 | | 66,335 |
| Incremental loss recognized | | (701,245) | | - |
| Properties sold | (1) | (242,500) | - | - |
| **Balance, end of period** | **1** | **4,158,803** | **2** | 6,444,211 |

Assets taken in settlement of debt are carried at fair value using Level 3 inputs including property appraisals. All of the assets taken on settlement of debt are residential properties.

## 7 Demand loan

| | June 30, 2019 $ | December 31, 2018 $ |
|---|---|---|
| Operating line of credit | - | 1,753,546 |
| | - | 1,753,546 |

The margined, demand operating line of credit bears interest at prime plus 2.0% (2018 – prime plus 2.0%), has an authorized limit which is the lesser of the margin calculation and $5,000,000 (December 31, 2018 - $7,500,000) and is secured by a general security agreement and an assignment of mortgages receivable. The operating line's margin is calculated using variable percentages of eligible mortgages as set out by the bank.

At period-end the maximum margin available was $2,868,100 (December 31, 2018 - $4,434,500).

The credit agreement contains certain financial covenants that must be maintained. At period-end the Company was in compliance with all financial covenants.

# 8 Shareholders' equity

## Issued and outstanding

| Class A Common shares | Number of Shares | $ |
|---|---|---|
| At December 31, 2017 | 1,890,729 | 15,681,364 |
| Shares redeemed | (2,355) | (3,829) |
| At December 31, 2018 | **1,888,374** | **15,677,535** |
| Shares redeemed | - | - |
| At June 30, 2019 | **1,888,374** | **15,677,535** |

Class A shares represent the residual equity interest of the Company, the redemption feature applies to all the Class A shares, the shares have no preferential rights and the redemption event is the same for all the Class A shares and accordingly are recorded as equity.

# 9 Related party disclosure

## Compensation of key management personnel

Key management personnel ("KMP") consist of the CEO and CFO. KMP remuneration includes the following expenses:

| | June 30, 2019 $ | June 30, 2018 $ |
|---|---|---|
| Salaries, fees and short-term benefits | **60,000** | 60,000 |

### Transactions with directors

The remuneration of directors during the period consisted of directors fees in the amount of $29,250 (June 30, 2018 – $39,000).

During the period the Company paid property maintenance and inspection fees on defaulted mortgages in the amount of $3,263 (June 30, 2018 - $Nil) to a Management Company in which a director is a shareholder. These transactions were incurred during the normal course of operations on similar terms and conditions to those entered into with unrelated parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# 10 Capital management

The Company's objectives when managing capital are to (i) maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and (ii) to manage capital in a manner which balances the interests of equity and debt holders.

The Company's definition of capital includes shareholders' equity. Capital is monitored for any of these items if applicable.

*The Company* seeks to facilitate the management of its capital requirements by preparing annual expenditure budgets that are updated as necessary and approved by the Board of Directors. The Company may occasionally need to increase these levels to facilitate acquisition or expansion activities, however there are no established quantitative returns on capital requirements for management. The Company considers the capital structure to consist of debt and shareholders' equity. The Company considers debt to include bank indebtedness, demand loans and due to related parties.

# 10 Capital management (continued)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, redeem shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and issue new debt to replace existing debt.

Pursuant to the Company's credit agreement (Note 7) it is required to meet certain financial covenants. If the Company is in violation of any of these covenants its ability to pay dividends may be inhibited. The Company monitors these covenants to ensure it remains in compliance.

# 11 Financial instruments and risk management

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

### Risk management policy

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk. The Company's overall risk management program focuses on avoidance of undue concentrations of risk, hedging of risk exposures, and requirements for collateral to mitigate credit risk as risk management objectives. In seeking to meet these objectives, the Company follows risk management policies approved by its Board of Directors.

These risk management policies and procedures include the following:

- Ensure all activities are consistent with the mission, vision and values of the Company;
- Balance risk and return;
- Manage credit, market and liquidity risk through preventative and detective controls;
- Ensure credit quality is maintained;
- Ensure credit, market, and liquidity risk are maintained at acceptable levels;
- Diversify risk in transactions, customer relationships and loan portfolios;
- Price according to risk taken; and
- Use consistent credit risk exposure tools.

Risk management is carried out by senior management, the policies of which are determined by the Board of Directors.

There have been no significant changes from the previous year in the policies and procedures or methods used to measure risk.

### Credit risk

Credit risk is defined as the risk that a mortgagor will be unable to fulfill their mortgage commitments. Credit risk primarily arises from mortgages receivable. Management and the Board of Directors review and update the credit risk policy annually.

***Analysis of maximum exposure to credit and collateral***

The maximum exposure to credit risk at June 30, 2019 is the fair value of its mortgage receivables, mortgage interest receivable and loan receivables which total $1,799,768 (December 31, 2018 - $4,124,730).

## 11 Financial instruments and risk management (continued)

To reduce the exposure the Company holds collateral as security on its mortgages. The collateral consists of a charge against real property on each mortgage. At June 30, 2019 the fair value of the collateral on the mortgages receivable is in excess of the fair value of the mortgages receivable.

***Credit quality, mortgage types and renegotiated mortgages***

The Company`s portfolio consists of both residential and commercial mortgages as follows before the allowance for mortgage losses of $8,232,433 (December 2018 - $7,970,557)

| | June 30, 2019 $ | December 31, 2018 $ |
|---|---|---|
| Residential first mortgages | **1,326,596** | 2,176,966 |
| Residential second mortgages | **37,456** | 38,190 |
| Commercial first mortgages | **3,937,889** | 5,433,952 |
| Commercial second mortgages | **4,320,868** | 4,112,214 |
| Residential mortgages with no security | **409,392** | 333,965 |
| | **10,032,201** | 12,095,287 |

*First mortgages are loans secured by a first priority mortgage charge with loan to values not exceeding 85% at funding.
**Second mortgages are loans with mortgage charges not registered in first priority with loan to values not exceeding 85% at funding.

The mortgage portfolio consists of mortgages that have been registered 76.5% in Saskatchewan (December 31, 2018 – 81.4%), 23.0% in Alberta (December 31, 2018 – 18.1%) and 0.5% in Manitoba (December 31, 2018 – 0.5%).

The Company does not internally assign credit quality ratings to its mortgages that are neither past due nor impaired. In addition, there is a limited market for such a portfolio of mortgages so standard credit ratings have not been used. However, the Company actively monitors its mortgage portfolio, the quality of the mortgages and any impairment. Additional information on credit quality and mortgages past due but not impaired is included in Note 5.

***Collateral obtained***

During the period the Company did not obtain any assets by taking possession of collateral it holds as security in settlement of debt (December 31, 2018 - $Nil). See Note 6. When collateral is taken, the Company`s policy for these assets is to sell the assets to recover funds loaned.

### Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due. To limit this risk, the Company's approach is to ensure that it has sufficient cash and credit facilities to meet its liabilities when due, under both normal and stressed circumstances.

The Company's operating cash requirements are continuously monitored by Management and the Board of Directors. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining additional debt financing. In addition, the mortgage receivables have short maturity terms (3 – 24 months) which provide additional liquidity in the event of an unforeseen interruption of cash flow. The Company can convert the mortgages, if needed, to cash instead of renewing for another term or lending under a new mortgage.

# 11 Financial instruments and risk management (continued)

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| | On demand | Less than 3 months | 3 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| **As at June 30, 2019** | | | | | |
| Other liabilities | - | **82,000** | - | - | **82,000** |
| | - | **82,000** | - | - | **82,000** |

| | On demand | Less than 3 months | 3 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| **As at December 31, 2018** | | | | | |
| Demand loan | 1,753,546 | - | - | - | 1,753,546 |
| Other liabilities | - | 85,891 | - | - | 85,891 |
| | 1,753,546 | 85,891 | - | - | 1,839,437 |

The Company manages liquidity risk on a net asset and liability basis. The following tables explain the contractual maturities of financial assets held for the purpose of managing liquidity risk. While best efforts are made to collect on mortgages due, payouts of mortgages receivable may not occur on the maturity dates.

| | On demand | Less than 3 months | 3 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| **As at June 30, 2019** | | | | | |
| Cash and cash equivalents | **787,145** | - | - | - | **787,145** |
| Mortgages receivable | - | **1,643,074** | - | **156,694** | **1,799,768** |
| Other assets | **68,257** | - | - | - | **68,257** |
| | **855,402** | **1,643,074** | - | **156,694** | **2,655,170** |

| | On demand | Less than 3 months | 3 to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| **As at December 31, 2018** | | | | | |
| Cash and cash equivalents | 48,400 | - | - | - | 48,400 |
| Mortgages receivable | - | 3,942,710 | 161,480 | 20,540 | 4,124,730 |
| Other assets | 48,643 | - | - | - | 48,643 |
| | 97,043 | 3,942,710 | 161,480 | 20,540 | 4,221,773 |

## 11 Financial instruments and risk management (continued)

The following demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant:

| | ***Demand loan – sensitivity*** | ***Mortgages receivable – sensitivity*** | ***Total June 30, 2019*** | *Demand loan – sensitivity* | *Mortgages receivable – sensitivity* | *Total December 31, 2018* |
|---|---|---|---|---|---|---|
| Increase in 25 basis points | - | 4,499 | 4,499 | (4,384) | 10,312 | 5,928 |
| Increase in 50 basis points | - | 8,998 | 8,998 | (8,768) | 20,624 | 11,856 |
| Decrease in 25 basis points | - | (4,499) | (4,499) | 4,384 | (10,312) | (5,928) |
| Decrease in 50 basis points | - | (8,998) | (8,998) | 8,768 | (20,624) | (11,856) |

Demand Loan sensitivity is calculated by applying the basis point change to the balance of the demand loan at year end. The mortgage receivable sensitivity is calculated by applying the basis point change to the balance of the mortgage receivables at year end.

*Interest rate re-price*

| | | | | | | ***June 30, 2019*** | *December 31, 2018* |
|---|---|---|---|---|---|---|---|
| | ***On demand*** | ***Within 3 months*** | ***Over 3 months to 1 year*** | ***Over 1 year*** | ***Not interest sensitive*** | ***Total*** | *Total* |
| **Assets** | | | | | | | |
| Cash and cash equivalents | **787,145** | - | - | - | - | **787,145** | 48,400 |
| Mortgages receivable | - | **1,643,074** | - | **156,694** | - | **1,799,768** | 4,124,730 |
| *Effective interest rate %* | - | **10.5%** | - | **6.4%** | - | **10.4%** | 10.4% |
| Other assets | - | - | - | - | **68,257** | **68,257** | 48,643 |
| | **787,145** | **1,643,074** | - | **156,694** | **68,257** | **2,655,170** | 4,221,773 |
| **Liabilities** | | | | | | | |
| Demand loan | - | - | - | - | - | - | 1,753,546 |
| *Effective interest rate %* | - | - | - | - | - | - | 6.0% |
| Other liabilities | - | - | - | - | **82,000** | **82,000** | 85,891 |
| | - | - | - | - | **82,000** | **82,000** | 1,839,437 |

### Fair values

The Company's financial instruments recognized on the Statement of Financial Position consist of cash, other receivables, mortgages receivable, demand loan, trade and other payables, and due to related parties. The fair values of these recognized financial instruments, excluding mortgages receivable, approximate their carrying values due to their short-term maturity. The fair values of mortgages receivable approximates its carrying value given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without penalties.

**Recurring fair value measurements**

The Company's financial assets and liabilities measured at fair value on a recurring basis are comprised of cash which has been categorized in the fair value hierarchy as Level 1.

# 11 Financial instruments and risk management (continued)

**Financial assets and liabilities for which fair value is only disclosed**

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at June 30, 2019 but for which fair value is disclosed:

| June 30, 2019 | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Mortgages receivable | 1,799,768 | - | - | 1,799,768 |
| Other assets | 68,257 | - | - | 68,257 |
| **Total Assets** | 1,868,025 | - | - | 1,868,025 |
| **Liabilities** | | | | |
| Other liabilities | 82,000 | - | - | 82,000 |
| **Total Liabilities** | 82,000 | - | - | 82,000 |

| December 31, 2018 | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets** | | | | |
| Mortgages receivable | 4,124,730 | - | - | 4,124,730 |
| Other assets | 48,643 | - | - | 48,643 |
| **Total Assets** | 4,173,373 | - | - | 4,173,373 |
| **Liabilities** | | | | |
| Demand loan | 1,753,546 | - | 1,753,546 | - |
| Other liabilities | 85,891 | - | - | 85,891 |
| **Total Liabilities** | 1,839,437 | - | 1,753,546 | 85,891 |

All fair values disclosed and categorized within Level 2 of the hierarchy use a net present value valuation technique and inputs consisting of actual balances, actual rates, market rates (for similar instruments) and payment frequency.

For mortgages receivable classified as Level 3 of the hierarchy, as there are no quoted prices in an active market for these mortgages receivable, the Company makes its determination of fair value based on its assessment of the current mortgage market for mortgages receivable of same or similar terms. Typically, these mortgage investments approximate their carrying values given the mortgages receivable consist of short-term loans that are repayable at the option of the borrower without penalties. When collection of the principal amount of a mortgage is no longer reasonably assured, the fair value of the mortgage is reduced to the estimated net realizable value of the underlying security. The net realizable is estimated by looking at market information for comparable properties and market rents when using an income based approach.

# 12 Commitments and contingent liabilities

### Commitments

The Company has a lease agreement for its premises that expires May 31, 2020. The remaining lease commitments are:

| | $ |
|---|---|
| 2019 | 8,400 |
| 2020 | 7,000 |
| **Total** | 15,400 |

### Contingent liabilities

In October 2017 the Corporation filed a Statement of Claim against Don Zealand, the former President and Chief Executive Officer of the Corporation. The claim is for breach of corporate policy, gross negligence, and breach of fiduciary duty while acting as President and CEO. Mr. Zealand denies all allegations and pleads counter claim for damages for wrongful dismissal. A defence to the counter claim has been filed by the Corporation's solicitors.

During 2018, the following three Statements of Claim were filed with the Court of Queen's Bench for Saskatchewan against the Corporation and existing and past directors of the Corporation. Due to the inherent uncertainties, no accurate quantification of any cost, or timing of such cost which may arise from any of the legal proceedings outlined below can be made.

i) On June 12, 2018 Randy Koroluk commenced a class action lawsuit against the existing and past directors (since 2015) of the Corporation and others. The legal action deals with oversight of the actions of Don Zealand, former CEO of the Corporation, and the collection and disposition of mortgaged assets since the departure of the former CEO. The Statement of Claim alleges several categories of damages, including negligence and breach of trust. The court action cannot proceed until it has been certified as a class action by the Saskatchewan Court of Queen's Bench. A defence will be filed denying all allegations.

ii) On July 13, 2018 Debbie Gloria Burwash served the Corporation and others with a Statement of Claim seeking rescission of her shares or damages in lieu of rescission. The Corporation's solicitors have filed a defence to the claim.

iii) On July 13, 2018 Granite Enterprises Inc. served the Corporation and others with a Statement of Claim seeking rescission of its shares or damages in lieu of rescission. The Corporation's solicitors have filed a defence to the claim.

# TAB K

# Saskatchewan
# Personal Property Registry
# Search Result

**Searching Party:** McDougall Gauley LLP
**Search Date:** 08-Oct-2019 09:29:38
**Search Type:** Standard

**Search #:** 203137649
**Client Reference:** 528587.21CPF~aai
**Control #:**

**Search Criteria**
**Search By:** Business Debtor Name
**Business Name**
PRIMEWEST MORTGAGE INVESTMENT CORPORATION

---

**There are no registration(s) found in the Personal Property Registry to match the search criteria you entered.**

THIS IS EXHIBIT "K" REFERRED TO IN
THE AFFIDAVIT OF MARLENE KAMINSKY
SWORN BEFORE ME AT SASKATOON,
SASKATCHEWAN THIS 9TH DAY
OF OCTOBER, 2019.

A Commissioner for Oaths in and
for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

**End of Search Result**

# TAB L

THIS IS EXHIBIT "L" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

**Form 3-9**
(Rule 3-9)

COURT FILE NUMBER QB 1559

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE SASKATOON

PLAINTIFF PRIMEWEST MORTGAGE INVESTMENT CORPORATION

DEFENDANT DONALD ZEALAND

**NOTICE TO DEFENDANT**

**1** The plaintiff may enter judgment in accordance with this Statement of Claim or the judgment that may be granted pursuant to *The Queen's Bench Rules* unless, in accordance with paragraph 2, you:

(a) serve a Statement of Defence on the plaintiff; and

(b) file a copy of it in the office of the local registrar of the Court for the judicial centre named above.

**2** The Statement of Defence must be served and filed within the following period of days after you are served with the Statement of Claim (excluding the day of service):

(a) 20 days if you were served in Saskatchewan;

(b) 30 days if you were served elsewhere in Canada or in the United States of America;

(c) 40 days if you were served outside Canada and the United States of America.

**3** In many cases a defendant may have the trial of the action held at a judicial centre other than the one at which the Statement of Claim is issued. Every defendant should consult a lawyer as to his or her rights.

**4** This Statement of Claim is to be served within 6 months from the date on which it is issued.

**5** This Statement of Claim is issued at the above-named judicial centre on the 16th day of October, 2017.

A. SIEBEN
DEPUTY LOCAL REGISTRAR

Local Registrar

## STATEMENT OF CLAIM

1. The Plaintiff, PRIMEWEST MORTGAGE INVESTMENT CORPORATION ("Plaintiff" or "PrimeWest"), is a body corporate governed by the laws of Saskatchewan with office in Saskatoon, Saskatchewan.

2. The Defendant, DONALD ZEALAND ("Defendant" or "Zealand"), is a resident of Saskatoon, Saskatchewan and was previously the President and Chief Executive Officer ("CEO") of PrimeWest.

3. The Plaintiff offers residential and commercial mortgages and refinancing options to individuals who do not normally qualify for mortgages with banks and other lending institutions.

4. The Plaintiff's claim against the Defendant is for breach of corporate policy, gross negligence, and breach of fiduciary duty while acting as President and CEO.

5. The Defendant was employed at PrimeWest as the President and CEO from March 23, 2011 until June 6, 2016, when he was terminated for cause.

6. While Zealand was employed, he was responsible for reporting to the Board of Directors, following corporate lending policies, and providing loans to clients in accordance with their corporate policies, among other things.

7. When providing loans to clients, there are strict guidelines that are to be adhered to in order to determine a proper loan amount, ensure there is enough security and discharge conditions, among other things. These Board approved guidelines were in writing, approved by management, and clearly state that they must be followed or else approval by the Board of Directors or the Credit Committee is required.

8. The Plaintiff says that Zealand did not follow the lending guidelines in relation to multiple loans that he authorized, despite knowing that the guidelines existed and were to be followed.

9. Multiples cases have been discovered where Zealand's unauthorized lending practices created substantial losses for PrimeWest and additional losses from Zealand's actions will likely continue to be discovered.

10. The Plaintiff says that the losses suffered by them are a direct result of the Defendant's failure or refusal to follow the lending guidelines, particulars of which include, but are not restricted to, the following:

(a) Failure to act in the Plaintiff's best interests and follow the lending guidelines;

(b) Failure to comply with conditions set out in development permits before advancing loans;

(c) Failure to obtain inspections and building progress reports when required;

(d) Failure to report to the PrimeWest Board that a house that contained asbestos had it removed and that offers to purchase the house were made. Instead, Zealand indicated to the PrimeWest Board that the house contained asbestos and was without value. On that basis, the PrimeWest Board allowed the house to be transferred to a relative of Zealand;

(e) Failure to obtain sufficient security for loans on multiple occasions;

(f) Failure to follow PrimeWest's lending guidelines in relation to obtaining certain appraisal values for lending to be approved;

(g) Failure to follow solicitor advice to not advance funds to certain clients;

(h) Failure to adhere to the Board's decision that they wanted to stay out of the Alberta market; and

(i) Such further and other particulars as may be ascertained and proven at trial.

11. The Plaintiff also says that the Defendant breached his fiduciary duty while acting as CEO by failing to act in the Plaintiff's best interest and abusing the power entrusted to him in his position.

12. The Plaintiff says that as a result of the aforementioned negligence and breaches of fiduciary duties by the Defendant, the Plaintiff has suffered economic loss exceeding Three Million Dollars ($3,000,000.00).

13. The Plaintiff therefore claims against the Defendant:

(a) Damages exceeding Three Million Dollars ($3,000,000.00), the precise amount to be proven at trial;
(b) Costs of and incidental to the within action; and
(c) Such further and other relief as counsel may advise and this Honourable Court may allow.

DATED at the City of Saskatoon, in the Province of Saskatchewan, this 16 day of October, 2017.

MCDOUGALL GAULEY LLP

Per: _____
Solicitor for the Plaintiff

**CONTACT INFORMATION AND ADDRESS FOR SERVICE**

**If prepared by a lawyer for the party:**

| | |
|---|---|
| Name of firm: | McDougall Gauley LLP |
| Name of lawyer in charge of file: | Larry F. Seiferling |
| Address of legal firms: | 500-616 Main Street, Saskatoon, SK S7H 0J6 |
| Telephone number: | (306) 653-1212 |
| Fax number: | (306) 664-4431 |
| E-mail address: | lseiferling@mcdougallgauley.com |

COURT FILE NUMBER: **Q.B. No. 1559 of 2017**

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE OF **SASKATOON**

PLAINTIFF/ DEFENDANT BY COUNTER CLAIM **PRIMEWEST MORTGAGE INVESTMENT CORPORATION**

DEFENDANT/ PLAINTIFF BY COUNTERCLAIM **DONALD ZEALAND**

# STATEMENT OF DEFENCE AND COUNTERCLAIM OF DONALD ZEALAND

## STATEMENT OF DEFENCE

1. The Defendant, Donald Zealand ("Zealand"), denies each and every allegation made in the Plaintiff's Statement of Claim (the "Claim"), except where otherwise expressly admitted herein.

2. Zealand admits paragraph 2 of the Claim.

3. Zealand acknowledges that he acted as the President and Chief Executive Officer ("CEO") of the Plaintiff between March 23, 2011 and June 6, 2016, when he was terminated without cause.

4. With respect to paragraph 4 of the Claim, Zealand specifically denies that he breached any corporate policies, was negligent at all, or that he breached any fiduciary duty while he was the President and CEO of the Plaintiff, Prime West Mortgage Investment Corporation ("PrimeWest"), or at any other time.

5. With respect to paragraph 5 of the Claim, Zealand denies that he was terminated for cause and by Counterclaim herein claims compensations for wrongful dismissal and related damages.

6. With respect to paragraph 6 of the Claim, Zealand admits the general contents thereof, but states that there are reasonable limits and exceptions to the provisions therein. Specifically, corporate policies, including lending policies, are flexible and at the discretion of

authorized PrimeWest employees, assigns, or agents, and as such, in appropriate circumstances, such polices may be adjusted with or without direction from the Board.

7. With respect to paragraph 7 of the Claim, Zealand admits that there were lending guidelines, but states that it was within his specific authority as President and CEO to exercise his discretion when making lending decisions within the overall policy framework on a case by case basis.

8. With respect to paragraph 8 of the Claim, Zealand states that he did, at all material times reasonably follow the intent and meaning of the lending guidelines and without any particulars, Zealand is unable to provide a specific response to the allegations included in the Claim.

8. With respect to paragraph 9 of the Claim, Zealand denies that PrimeWest has suffered a loss as a result of his negligence, which is specifically denied, and puts the Plaintiff to the strict proof thereof.

9. With respect to paragraph 11 of the Claim, Zealand denies that he breached his fiduciary duty to PrimeWest, or any duty owed to PrimeWest, which is specifically denied, and puts PrimeWest to the strict proof thereof. Zealand states that at all times he acted in PrimeWest's best interest and in good faith up to and including his wrongful termination.

10. The Defendant, Zealand, therefore asks that the Plaintiffs', PrimeWest, claim be dismissed with solicitor client costs.

**NOTICE**

If you intend to make a reply to this Statement of Defence, you must serve and file the reply within 8 days after service of the Statement of Defence.

## NOTICE OF COUNTERCLAIM

**NOTICE**

If you do not deliver a Defence to Counterclaim within 20 days after the day of service of this defence and counterclaim, you are liable to have judgment entered against you pursuant to *The Queen's Bench Rules* without further notice to you.

## COUNTERCLAIM

1. The Defendant, Donald Zealand (Plaintiff by Counterclaim) ("Zealand") makes this Counterclaim as against the Plaintiff, PrimeWest Mortgage Investment Corporation (Defendant by Counterclaim) ("PrimeWest").

2. The Defendant repeats the contents in its Statement of Defence, including any definitional terms, as if specifically set out herein.

3. Zealand states that it was an express, or alternatively, an implied term of his employment that he would not be dismissed except for just cause or upon reasonable notice or reasonable pay in lieu thereof.

4. Zealand has at all times faithfully and dutifully fulfilled his employment obligations to PrimeWest.

5. On June 6, 2016, PrimeWest terminated Zealand's employment, purportedly for just cause.

6. Zealand denies that just cause existed for the termination of his employment.

7. PrimeWest, in failing to provide Zealand with reasonable notice, or pay in lieu of notice, of the termination of his employment, has breached the employment agreement. Zealand states that, as there was no just cause for the termination of his employment, PrimeWest is contractually obliged to provide him reasonable pay in lieu of notice.

8. Zealand states that the following factors are relevant to the action herein:

a) At the time of his termination, Zealand was 64 years of age;

b) At the time of his termination, Zealand was receiving an annual salary, including benefits and any applicable bonuses, of approximately $250,000;

c) Zealand had been an employee of PrimeWest for approximately 5 years;

d) Zealand was employed as the CEO and President of PrimeWest; and

e) There is very little opportunity for Zealand to secure employment in a similar position in Saskatchewan.

9. As a result of the foregoing, and given Zealand's age, his length of service, and the nature of his position, Zealand submits that he ought to have received notice or pay in lieu of notice for 18 months.

10. Zealand claims that his wrongful dismissal went beyond a simple unsubstantiated allegation of cause and that it was intended to, and in fact did, defame him in the community, particularly the financial community of Saskatoon where the Defendant was very well respected as a retired employee of the Royal Bank of Canada.

11. In addition, Zealand states that PrimeWest's conduct, both at the time and after his termination, have caused him severe mental anguish and anxiety and damage to his reputation. Such conduct includes:

a) Media releases making unfounded allegations against him;
b) Internet postings making unfounded allegations against him; and
c) Public statements to the investment and banking community including unfounded allegations against him.

12. Each of the actions, alleged at paragraphs 10 and 11 above, constitute defamation in the circumstances as the said actions:

a) Attack the professional abilities and competencies of Zealand; and

b) State or imply that Zealand is not a capable or trustworthy employee.

13. PrimeWest has failed or refused to pay Zealand accrued vacation pay and earned bonuses in the approximate amount of $30,000.

14. The Defendant, Donald Zealand (Plaintiff by Counterclaim), therefore claims against the Plaintiff, PrimeWest Mortgage Investment Corporation (Defendant by Counterclaim) for:

(a) Vacation pay and bonus payments owing at the time of his wrongful termination in the approximate amount of $30,000;

(b) Damages for wrongful dismissal for a notice period of 18 months, for an amount of $375,000 plus applicable benefits and bonuses to be calculated;

(c) Punitive damages in excess of $100,000;

(d) Aggravated damages in excess of $100,000;

(e) Damages for defamation in an amount to be determined at trial;

(f) Costs as against PrimeWest on a solicitor client basis; and

(g) Any further damages or orders that this honourable court may deem just.

DATED at Saskatoon, Saskatchewan, this 6TH day of December, 2017.

**ROBERTSON STROMBERG LLP**

Per: _____

Scott R. Spencer
Robertson Stromberg LLP

## CONTACT INFORMATION AND ADDRESS FOR SERVICE


| | |
|---|---|
| Name of firm: | ROBERTSON STROMBERG LLP |
| Name of lawyer in charge of file: | Scott R. Spencer |
| Address of legal firm: | 600-105 21st St. East, Saskatoon, SK S7K 0B3 |
| Telephone number: | 306-933-1354 |
| Fax number (*if any*): | 306-652-2445 |
| E-mail address (if any): | s.spencer@rslaw.com |

**Form 3-17**
(Rule 3-17)

| | |
|---|---|
| COURT FILE NUMBER | Q.B. No. 1559 of 2017 |
| COURT OF QUEEN'S BENCH FOR SASKATCHEWAN | |
| JUDICIAL CENTRE | SASKATOON |
| PLAINTIFF/DEFENDANT BY COUNTERCLAIM | PRIMEWEST MORTGAGE INVESTMENT CORPORATION |
| DEFENDANT/PLAINTIFF BY COUNTERCLAIM | DONALD ZEALAND |

**PRIMEWEST'S REPLY TO THE STATEMENT OF DEFENCE AND STATEMENT OF DEFENCE TO THE COUNTERCLAIM**

**PRIMEWEST'S REPLY TO THE STATEMENT OF DEFENCE**

This is the Reply of the Plaintiff, PrimeWest Mortgage Investment Corporation ("PrimeWest"), to the Statement of Defence filed by the Defendant, Donald Zealand ("Zealand"), dated December 6, 2017.

1. PrimeWest denies each and every allegation of fact contained in the Statement of Defence, except where expressly admitted herein.

2. In reply to paragraph 7 of the Statement of Defence, PrimeWest acknowledges that Zealand did have a limited discretion when making lending decisions, but such discretion was constrained by the requirement that such decisions comply with the overall framework of PrimeWest's lending guidelines. The decisions made by Zealand did not comply with the guidelines, particulars of which include:

    a. the lending guidelines allow for short-term bridge financing and not asset-based financing, which Zealand engaged in;

    b. Zealand did not ensure that borrowers met the lending criteria of debt servicing, the proper loan to value ratio, or the ability to exit the financing, which were all requirements;

    c. the lending guidelines allow for renewals when payments are current and

other criterion is met, yet Zealand renewed loans when his clients were not making their loan payments. In addition, the renewal amounts were increased to cover past deficiencies and additional reserve funds were provided to cover anticipated, future missed payments; and

d. Zealand did not ensure that the terms of the Offers of Financing that he granted on behalf of PrimeWest were followed.

3. The decisions made by Zealand did not align nor comply with the framework of the guidelines and a substantial number of the loans he authorized should never have been approved based on the clients' inability to make the payments. These loans have resulted in foreclosures and losses to PrimeWest in the millions of dollars.

4. In reply to paragraph 8 of the Statement of Defence, particulars of the specific matters where Zealand provided financing to clients that should not have qualified initially and certainly should not have been granted renewals are outlined below.

**John Doe #1**

5. On or about September 25, 2014, PrimeWest provided $637,300 in financing to a corporation controlled by John Doe #1, which was approved by Zealand.

6. Zealand authorized additional financing from PrimeWest to John Doe #1 on three additional occasions, for a total of $1,176,504.79 in financing by June 19, 2015.

7. Neither the initial loan nor the subsequent advances should have been approved based on the lending guidelines. Zealand ignored the following features of these guidelines, as follows:

a. Zealand had the Offer to Finance prepared which indicated that John Doe #1's corporation would be purchasing a property in Kindersley to which PrimeWest held title through a foreclosure, however the sale never proceeded;

b. Zealand did not uphold the requirement for John Doe #1 to give a personal guarantee on the loan;

c. Zealand made an arrangement with John Doe #1 that he personally would help develop the property and share in the profits once it was sold, which jeopardized PrimeWest's status as a Mortgage Investment Corporation under subsection 130.1(6)(b) of the *Income Tax Act*;

d. the minimum required appraisal values for the securities supporting the loan were not met; and

e. additional financing was provided to the corporation controlled by John Doe #1 to cover monthly payments to PrimeWest for the loan and to reimburse previous payments which had been made to PrimeWest through John Doe #1's corporate account.

**John Doe #2**

8. On or about November 22, 2011, Zealand authorized financing to John Doe #2 on behalf of PrimeWest in the amount of $1,143,500 to cover renovations, mortgage pay-out, CRA pay-out, reserve fund for a portion of the monthly payments, loan fees, property taxes, and other miscellaneous payments.

9. Zealand continued to approve additional financing to John Doe #2 and by November 19, 2015, the amount outstanding was $2,679,822.84. Zealand authorized an additional loan to John Doe #2 on behalf of PrimeWest for $57,000 on December 8, 2015. Neither this new loan nor the prior financing should have been provided to John Doe #2 based on the lending guidelines and his inability to pay back the loans. Zealand ignored the following features of these guidelines, as follows:

a. Zealand failed to obtain documentation to verify John Doe #2's annual income and his and his spouse's ability to afford the monthly payments;

b. Zealand failed to ensure the renovations to the property were being completed through required regular inspections before advancing funds;

c. new appraisals were not obtained when required and when they were obtained, they did not meet the threshold for lending;

d. Zealand authorized the discharge and re-registration of the security, which

caused PrimeWest to lose its priority position;

e. Zealand continued to advance funds even though John Doe #2 failed to meet the development requirements of the property that the RM registered on title prior to PrimeWest entering into any agreement with John Doe #2; and

f. numerous payments from John Doe #2 were returned due to non-sufficient funds, yet Zealand continued to authorize additional financing on behalf of PrimeWest.

**John Doe #3**

10. On or about February 7, 2012, Zealand authorized mortgage financing to John Doe #3's company from PrimeWest for $409,200. This amount was to cover a new home construction, payout his existing TD mortgage, cover fees, and provide a full reserve for mortgage payments. It was agreed that progress advances would be made as the new build progressed once progress reports were completed. PrimeWest obtained a first mortgage on the new home and a second mortgage on the existing home that John Doe #3 was currently living in.

11. Zealand increased the financing provided by PrimeWest to John Doe #3's company to $564,990.32 by October 23, 2013 to complete the construction and provide additional reserve funds to cover mortgage payments to PrimeWest. Zealand ignored the following features of these guidelines, as follows:

a. the progress reports were not obtained;

b. the appraisal obtained on the new build was done as if the property was completed, rather than at the value at that time;

c. the loan to value ratio was much higher than the acceptable amount; and

d. John Doe #3's company was provided with a reserve fund to cover all mortgage payments to PrimeWest when it was not clear that John Doe #3 or his company had the financial ability to make the monthly payments for a mortgage of this size.

12. In reply to the entire Statement of Defence, PrimeWest states that Zealand did not act in good faith and breached his fiduciary duty to PrimeWest.

13. PrimeWest repeats the allegations set out in the Statement of Claim and therefore, requests that the Defence be dismissed and the relief claimed in the Statement of Claim be granted.

**NOTICE**

This reply may only make admissions or respond to matters raised for the first time in the Statement of Defence (see rule 13-14).

## PRIMEWEST'S STATEMENT OF DEFENCE TO THE COUNTERCLAIM

1. The Plaintiff, PrimeWest Mortgage Investment Corporation (Defendant by Counterclaim ("PrimeWest"), denies each and every allegation made in the Defendant's (Plaintiff by Counterclaim) Counterclaim (the "Counterclaim"), except where otherwise expressly admitted herein.

2. PrimeWest terminated Donald Zealand, the Defendant ("Zealand"), for cause on June 6, 2016 for insubordination and breach of fiduciary duty. This included Zealand's failure to follow PrimeWest's lending policies, as set out in the PrimeWest's Reply to the Statement of Defence, and actions to overthrow PrimeWest's Board of Directors (the "Board") by soliciting proxies and hiring a consultant to assist with the shareholder vote without the knowledge of the remaining Board members. Zealand's actions breached the duty of good faith and the fiduciary duty owed to PrimeWest.

3. Zealand had indicated to the Board on multiple occasions that he wanted to expand into Alberta. The Board was not in agreement with this and had told Zealand that they did not see the need to expand into Alberta and were not in favour of it, but Zealand continued his efforts regardless.

4. Zealand hired Ms. Deb Lambert ("Lambert") to provide consulting services to PrimeWest during the period of March 1, 2016 to August 31, 2016, which was not in the best interest of PrimeWest, as her services were not required for any legitimate corporate purpose.

5. At the Shareholders Meeting, Zealand advised the shareholders of the upcoming Annual General Meeting where three new Board members would be elected to fill vacant positions. Zealand, as CEO, approved the Management Information Circular on behalf of management, which stated the persons named for directors of the Corporation were nominees of Management.

6. Following Zealand's approval of the Management Information Circular as CEO, he then, with the assistance of Lambert and Jim Harris, a broker with P.I. Financial Corporation who had clients that were shareholders of PrimeWest ("Harris"), solicited proxies from P.I. Financial Corporation clients that were shareholders in PrimeWest in attempts to effectively change the Board to the appointees that he wanted.

7. At the time Zealand was terminated, PrimeWest was not aware of the extent of Zealand's harm to PrimeWest by not following the lending guidelines and providing loans to clients who should not have been approved. However, PrimeWest did have concerns about his performance in relation to his abuse of authority. The lending breaches outlined in PrimeWest's Reply to the Statement of Defence that were discovered after Zealand was terminated each amount to after-acquired cause, which further justifies his dismissal.

8. Zealand refers to defamation in paragraph 12 of the Counterclaim, which is denied, as PrimeWest's press releases that mention Zealand are true and accurate statements of fact. These press releases discuss the fact that Zealand was no longer with PrimeWest, that Zealand did not follow the lending guidelines and provided wrongful information to the Board, and that losses from Zealand's actions were arising. PrimeWest had a duty to its shareholders and other stakeholders to disclose this information.

9. PrimeWest therefore asks that Zealand's Counterclaim be dismissed with solicitor-client costs.

**NOTICE**

If you intend to make a reply to this Statement of Defence, you must serve and file the reply within 8 days after service of the Statement of Defence.

DATED at the City of Saskatoon, in the Province of Saskatchewan, this 12th day of March, 2018.

**MCDOUGALL GAULEY LLP**

Per: _____
Solicitor for the Plaintiff

**CONTACT INFORMATION AND ADDRESS FOR SERVICE**

**If prepared by a lawyer for the party:**

| | |
|---|---|
| Name of firm: | McDougall Gauley LLP |
| Name of lawyer in charge of file: | Robert Kennedy Q.C. |
| Address of legal firms: | 500-616 Main Street, Saskatoon, SK S7H 0J6 |
| Telephone number: | (306) 653-1212 |
| Fax number: | (306) 664-4431 |
| E-mail address: | rkennedy@mcdougallgauley.com |

# TAB M

THIS IS EXHIBIT "M" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

**Form 3-9**
(Rule 3-9)

**COURT FILE NUMBER** QBG NO 1727 OF 2018

**COURT OF QUEEN'S BENCH FOR SASKATCHEWAN**

**JUDICIAL CENTRE** REGINA

**PLAINTIFF** RANDY KOROLUK

**DEFENDANT(S)**
DAN ANDERSON
TOM ARCHIBALD
FRANCIS BAST
DOUG FRONDALL
MIKE HOUGH
WILL OLIVE
TOM ROBINSON
IRENE SEIFERLING

Brought under *The Class Actions Act*

## NOTICE TO DEFENDANT

**1** The plaintiff may enter judgment in accordance with this Statement of Claim or the judgment that may be granted pursuant to *The Queen's Bench Rules* unless, in accordance with paragraph 2, you:

(a) serve a Statement of Defence on the plaintiff; and

(b) file a copy of it in the office of the local registrar of the Court for the judicial centre named above.

**2** The Statement of Defence must be served and filed within the following period of days after you are served with the Statement of Claim (excluding the day of service):

(a) 20 days if you were served in Saskatchewan;

(b) 30 days if you were served elsewhere in Canada or in the United States of America;

(c) 40 days if you were served outside Canada and the United States of America.

**3** In many cases a defendant may have the trial of the action held at a judicial centre other than the one at which the Statement of Claim is issued. Every defendant should consult a lawyer as to his or her rights.

**4** This Statement of Claim is to be served within 6 months from the date on which it is issued.

**5** This Statement of Claim is issued at the above-named judicial centre on the 12th of June, 2018.

Court Seal

(SEAL)

W. Seed
By Local Registrar
Local Registrar

## STATEMENT OF CLAIM

### THE PARTIES

1. The Plaintiff, RANDY KOROLUK ("Koroluk") resides in Regina, Saskatchewan, and is an investor and registered shareholder in Prime West.

2. All of the Defendants are current or previous members of the Board of Directors (the "Board") for PRIME WEST MORTGAGE INVESTMENT CORPORATION ("Prime West" or "the Corporation"). Prime West is a publicly traded mortgage Saskatchewan investment company.

3. The Defendant, DAN ANDERSON Q.C. ("Anderson") resides in Saskatoon, Saskatchewan, and served on the Prime West Board from June, 2009 until May, 2016. Anderson is senior legal counsel in Saskatoon.

4. The Defendant, TOM ARCHIBALD ("Archibald") resides in Saskatoon, Saskatchewan, and served on the Prime West Board from May, 2007 until the present. Archibald is the president of Eden Health Solutions, a privately held consulting company specializing in health care and business consulting.

5. The Defendant FRANCIS BAST ("Bast") resides in Regina, Saskatchewan, currently serves on the Prime West Board, and is a businessman with many ventures, including real estate sales and development, finance, and investment.

6. The Defendant DOUG FRONDALL ("Frondall") resides in Saskatoon, Saskatchewan and served on the Prime West Board from May, 2008 until June, 2017. Frondall is an Accountant and a Partner at Virtus Group. He is the chairman of Sask Works.

7. The Defendant, MIKE HOUGH ("Hough") resides in Saskatoon, Saskatchewan, and served on the Prime West Board from May, 2007 until May, 2016. Hough was the General Manager of the Saskatoon Christian Centre.

8. The Defendant WILL OLIVE Q.C. ("Olive") currently serves on the Prime West Board. Olive is senior legal counsel and a partner at the law firm Olive Waller Zinkhan & Waller LLP, which has provided legal services to Prime West since 2005.

9. The Defendant TOM ROBINSON ("Robinson") resides in Regina, Saskatchewan and presently serves on the Prime West Board. Robinson is the former managing partner of KPMG LLP, which provides audit, business advisory, and consulting services to both private and public organizations.

10. The Defendant, IRENE SEIFERLING ("Seiferling") resides in Saskatoon Saskatchewan and served on the Prime West Board from May, 2008 until May, 2016. Seiferling owns a corporate governance consultation firm called "Board Dynamics" which specifically specializes in board governance and business planning.

## THE PROPOSED CLASS

11. The Defendants have, by their acts or omissions, caused harm and damages to Members of the Class. The Plaintiff acts as Representative Plaintiffs on behalf of an affected Class of several persons in the Province of Saskatchewan. The Plaintiff institutes this Claim as Representative on behalf of the Class of persons who have suffered harm or damages as a result of the Defendants' acts, omissions, wrongdoings, and breaches of legal duties and obligations, including, but not limited to, breach of trust, breach of fiduciary duty, breach of duty to act with honesty and good faith, negligence and failure to fulfill their statutory or common law duties, or other obligations due to the Plaintiff and Class Members collectively.

12. The Plaintiff on behalf of all Class Members claims the following relief, on a joint and several basis, against each of the Defendants, for the following proposed Class:

    a. All persons who invested in Prime West;
    b. All persons who are registered shareholders in Prime West;
    c. All persons who are beneficial shareholders in Prime West;
    d. All family members of the above.

    (Collectively "Class Members" or "Class")

## BACKGROUND FACTS

13. Prime West has been operating in the Province of Saskatchewan since 2005. Prime West is a public corporation based in Saskatoon, Saskatchewan and operates as a Saskatchewan based mortgage Investment Corporation. The Corporation's Class A common shares are listed for trading on the Canadian Securities Exchange under the symbol PRI.
14. Each of the Defendants was a member of the Board of Directors for Prime West and participated in the Defendants' Wrongful Acts.

15. Each of the Defendants' responsibilities as a Board Members and officers of Prime West included, *inter alia*:

    a. Assuming responsibility for the overall stewardship and development of the corporation;

b. Monitoring the Corporation's business interests;
c. Identifying the principal risks and opportunities of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;
d. Overseeing ethical management and succession planning, including appointing, training, and monitoring senior management and directors,
e. Overseeing the Corporation's internal financial controls and management information systems;
f. Implementing and enforcing corporate governance policies; and
g. Following the code of ethics and written charters of the Corporation.

## THE DEFENDANTS' WRONGFUL ACTS

16. On or about March, 2011, the Defendants and other members of the Board began to employ Don Zealand ("Zealand") as CEO of Prime West.

17. In 2015-2016, Zealand began to invest in high risk rural and commercial loans, in many instances second position mortgages, subject to the actions of other mortgage interests, contrary to the Corporation's mandate to invest in primarily short-term residential mortgages.

18. Zealand invested in 19 condo units in Regina on a high rise unit that was known or should have been known to be an uncertain and high-risk investment, which the Defendants knew, or ought to have known was contrary to the best interests of Class Members. As a result, a significant amount of financial risk was created for shareholders. The Defendants' knew or ought to have known that Zealand was conducting business of this kind in a way that was outside the parameters set by the Board and failed to adequately supervise his conduct.

19. In Spring of 2016, the Board raised nearly two million dollars for the purpose of investment. To this date, the shareholders have not been informed of what has happened to this money, nor has it been returned to them. Instead, the funds raised have been misappropriated for other purposes. This money was raised at the rate of $10.00 per share.

20. On or about June 6, 2016, the Defendants dismissed Zealand. At the time, the Defendants, Archibald and Fondall became acting CEO until August, 2016. Neither of these Defendants had the requisite competency to take on this role, which caused further damage and financial risk for the Class.

21. On or about August, 2016, the Defendants' employed Brad Penno. Penno began to sell properties off for less than they could have retrieved contrary to the interests of the Class.

22. In September of 2016, the Board raised $1,000,000 in equity for Prime West's operating costs from a third party at an 8% per annum interest rate. This loan began to be paid back in 2017. The Defendants, Bast and Robinson, were shareholders in this third party, and personally profited from the loan. In January of 2017, the Board, including the Defendants took an additional loan of $500,000 from the same third party at an 8% per annum. As a result of the losses from these loans the dividends to be paid from Class Members were suspended in 2017.

23. The Defendants did not begin to establish loan loss provisions or adequate corporate governance until 2017-2018. Despite the fact that the Defendant, Sieferling, specializes in consulting boards on developing effective corporate governance practices.

24. Over the previous few years, when shareholders and Class Members voiced their concern to the Board, including each of the Defendants, their inquiries have been repeatedly and actively ignored.

25. The facts pleaded in this section (the "Defendants' Wrongful Acts") apply to each and every cause of action stated in this Statement of Claim, even where not specifically reiterated.

## THE PLAINTIFF'S HARMS

26. Each of the Defendants have, by their acts or omissions, caused harm and damages to Members of the Class. The Plaintiff institutes this Claim as a Representative on behalf of the Class of persons who have suffered harm or damages as a result of the Defendants' acts, omissions, wrongdoings, and breaches of legal duties and obligations, including, but not limited to, negligence and failure to fulfill their statutory or common law duties, or other obligations due to the Plaintiff and Class Members.

## VICARIOUS LIABILITY

27. As members of the Board, each of the Defendants were at all material times required to manage or supervise the management of the business and affairs of Prime West, including the actions of its agents and employees, pursuant to section 97 of the *Business Corporations Act*, RSS 1978, c. B-10, s. 97 and are all therefore personally liable for the Wrongful Acts, especially those committed by CEOs and CFOs under their supervision.

## BREACH OF TRUST

28. At all material times, each and every of the Defendants owed duties of trust to Class Members by virtue of their position of trust on the Board.

29. The Trust required an accounting of funds from business conducted on behalf of Class Members and using capital raised from Class Members through the Defendants' day to day operations, with certain funds to be held in trust by the Defendants for the Class.

30. The Defendants' Wrongful Acts were dishonest and either fraudulently or negligently designed to decrease the amounts held in trust for Class Members and ultimately misappropriated.

31. The Defendants knowingly received funds that were subject to the Trust and engaged the Defendants' Wrongful Acts.

32. The Defendants' responsibility was to receive funds that were subject to the Trust and this engaged the Defendants' Wrongful acts.

33. In the alternative, any Defendant who did not directly handle the funds to be held in trust for the Class is liable as a trustee *de son tort* as each took upon themselves to act as trustee and administer funds that were intended to be held in trust for Class Members.

## BREACH OF DUTY OF HONESTY AND GOOD FAITH

34. Pursuant to the common law and section 117 of *The Business Corporations Act*, RSS 1978, C. B-10, s.117, each and every Defendant was required at all material times to act honestly and in good faith and in keeping with the best interests of the corporation, including keeping the Members of the Class in mind to exercise due care, diligence, and skill in the circumstances.

35. Each of the Defendants has failed to meet the standard of honesty and good faith required of them as Board Member by engaging in the Defendants' Wrongful Acts.

36. The Defendants' Wrongful Acts were engaged to lie and mislead Class Members.

37. The Defendants engaged in Wrongful Acts knowing that the said actions were not in good faith or would negatively affect the legitimate business and financial interests of the Class

## BREACH OF FIDUCIARY DUTY

38. All of the Defendants are sophisticated individuals with experience in business and finance, and at all material times were aware of their fiduciary and financial obligations to the Class.

39. At all material times, each of the Defendants, owed duties of trust to the Class by virtue of their position on the Board. As Board Members, the Defendants, owed a duty of loyalty to the Class, and a fiduciary obligation not to act adversely to Class Members' interests.

40. The Defendants were entrusted to raise and manage funds acquired for the purposes of investment and required to hold the funds in trust for Class Members among other duties.

41. The independence of the Defendants, and the level of trust placed in them by Class Members to act honourably and honestly, and with Class Members' interests in mind, which were always to precede and be in priority to their own interests, created in each of the Defendants a fiduciary duty towards the Class which required each Defendant to:

    a. Act with the utmost honesty and good faith;
    b. Follow the established practices and procedures of the corporation;
    c. Raise and manage investment capital with the interests of the Class before their own;
    d. Fully and accurately account for all funds received;
    e. Prioritize Class Members' interests over their own; and
    f. Not use funds raised for investment for any personal or other improper purposes.

42. The Plaintiff, on behalf of the Class, pleads that each of the Defendants, breached their duty of trust and the fiduciary duties owed to Class Members by, inter alia:

    a. Misdirecting, dissipating, and misappropriating monies accepted on behalf of the Corporation and the Class;
    b. Failing to account to Class Members with respect to monies received in the course of business;
    c. Using monies received on behalf of the Class or for the purposes of investment for their own personal benefit, the personal benefit of the other Defendants, or other persons unknown;
    d. Preferring his own personal interests and gains and completely disregarding the interests of the Plaintiff, which they are duty bound to protect and uphold;
    e. Using client information and other confidential information for his own personal benefit to the detriment of the Plaintiffs;

f. Soliciting clients and staff members to cancel services or act in a manner contrary to the interests of the Plaintiff;
g. Abusing their positions on the Board to gain personal benefit;
h. Such further particulars as may be advised prior to trial.

43. As a result of the actions of the Defendants as pleaded herein, Class Members have suffered damages and harm in an amount to be proven at trial and following a full accounting of the Defendants' activities.

## WASTE OF CORPORATE ASSETS

44. The Plaintiff, on behalf of the Class, pleads and relies upon the allegations contained herein and pleads that the Defendants owed Class Members a duty of care not to waste corporate assets by overpaying for property or employment services. The Defendants breached this duty of care by, *inter alia*:
    a. Employing senior management who they knew or ought to have known were grossly underqualified for their roles;
    b. Grossly overpaying officers of the Corporation by way of unethical bonus structures; and
    c. Borrowing money in an irresponsible and unethical fashion

## INTERFERENCE WITH ECONOMIC RELATIONS

45. The Defendants have committed injurious acts against the Class, as pleaded herein, which deprived Class Members of the revenue and proceeds from the dividends of their investments.

46. The Defendants committed these acts with full knowledge of the harm and effect this would have on the Class.

47. The actions of the Defendants have thereby unlawfully interfered with Class Members' economic interests and the Defendants are liable therefor.

48. By reason of the foregoing, the Defendants are liable for all losses suffered by Class Members as a result of said unlawful interference.

## NEGLIGENCE

49. In the alternative to the intentional wrongs pleaded, the Plaintiff claims that the Defendants are liable for Negligence.

50. The Defendants owed a duty of care to the Plaintiffs to, *inter alia*:

    a. Ensure that their subsidiaries, agents, or affiliates did not engage in the Defendants' Wrongful Acts;
    b. Act in a manner befitting a Board Member with the Corporation;
    c. Act in a manner in accordance with their duties as trustees, fiduciaries, and privileged positons.

51. The Defendants breached the standard of care of reasonable members of a Board and knew or ought to have known that engaging in the Defendants' Wrongful Acts would cause harm to the Class.

52. As a result of the Defendants' negligence, Class Members have suffered damage.

## DAMAGES

53. The Defendants' conduct has caused significant harm to Class Members. The Class has suffered and continue to suffer loss and damage, which includes, but is not limited to the amount of the misappropriated funds.

54. As a result of the Defendants' wrongful acts and omissions Class Members are entitled to general damages for their losses in amounts yet to be determined, the particulars of which will be provided prior to trial.

## PUNITIVE DAMAGES

55. The Defendants have acted in a high-handed, malicious, and reprehensible fashion, and in wanton and reckless disregard for Class Members' rights, which ought not to be countenanced by this Honourable Court. Accordingly, the Plaintiff is entitled to punitive, aggravated, and exemplary damages, the particulars of which will be provided prior to Trial.

## PRAYER FOR RELIEF

56. The Plaintiffs therefore claim against the Defendants:

a. General Damages in an amount to be proven at trial;
b. Special damages in an amount to be proven at trial;
c. Aggravated, exemplary and punitive damages;
d. An accounting of all funds misappropriated by the Defendants;
e. An equitable tracing of all funds misappropriated by the Defendants;
f. Interest pursuant to the *Pre-judgement interest act*;
g. Costs;
h. Such further and other relief as this honourable court may allow.

DATED at Regina, Saskatchewan, this 12th day of June, 2018.

E. F. Anthony Merchant, Q.C.
Solicitor for the Plaintiff

## CONTACT INFORMATION AND ADDRESS FOR SERVICE

**If prepared by a lawyer for the party:**


| | |
|---|---|
| Name of firm: | MERCHANT LAW GROUP LLP |
| Name of lawyer in charge of file: | E. F. Anthony Merchant, Q.C. |
| Address: | #100 – 2401 SASKATCHEWAN DRIVE, REGINA, SK, S4P 4H8 |
| Telephone number: | (306) 359-7777 |
| Fax number: | (306) 522-3299 |
| E-mail address: | tmerchant@merchantlaw.com |

# TAB N

Judicial Centre of Regina

Kobolak vs. Anderson File # QBG 1727/18

| DATE | NATURE OF ORDER | JUDGE |
|---|---|---|
| December 19/2018 | I am prepared to grant an extension of time for service to June 5, 2019 with leave to be given for further time if necessary However the plaintiff needs to try harder to serve the defendants — with affidavit from the process server(s) or to further efforts to serve | |
| | Mr. Justice T.J. Keene Q.B.J. | |

THIS IS EXHIBIT "N" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
~~my commission expires:~~ _____.
Or being a solicitor.

# TAB O

THIS IS EXHIBIT "O" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
~~my commission expires:~~ _____.
Or being a solicitor.

COURT FILE NUMBER Q.B.G No. 1395 of AD 2018

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE REGINA

PLAINTIFF GRANITE ENTERPRISES INC.

DEFENDANTS PRIMEWEST MORTGAGE INVESTMENT CORPORATION AND P.I. FINANCIAL

## NOTICE TO DEFENDANT

1 The plaintiff may enter judgment in accordance with this Statement of Claim or the judgment that may be granted pursuant to *The Queen's Bench Rules* unless, in accordance with paragraph 2, you:

(a) serve a Statement of Defence on the plaintiff; and

(b) file a copy of it in the office of the local registrar of the Court for the judicial centre named above.

2 The Statement of Defence must be served and filed within the following period of days after you are served with the Statement of Claim (excluding the day of service):

(a) 20 days if you were served in Saskatchewan;

(b) 30 days if you were served elsewhere in Canada or in the United States of America;

(c) 40 days if you were served outside Canada and the United States of America.

3 In many cases a defendant may have the trial of the action held at a judicial centre other than the one at which the Statement of Claim is issued. Every defendant should consult a lawyer as to his or her rights.

4 This Statement of Claim is to be served within 6 months from the date on which it is issued.

5 This Statement of Claim is issued at the above-named judicial centre on the 9th day of May, 2018.

L. FRANKLIN
Local Registrar

[SEAL]

## AMENDED STATEMENT OF CLAIM

1. The Plaintiff, Granite Enterprises Inc., is a Saskatchewan Business Corporation, duly incorporated pursuant to the laws of the Province of Saskatchewan, and registered to carry on business in the City of Regina.

2. The Defendant, Primewest Mortgage Investment Corporation, is a Saskatchewan Business Corporation, duly incorporated pursuant to the laws of the Province of Saskatchewan, and registered to carry on business in the City of Regina.

3. The Defendant, P.I. Financial, is a Saskatchewan Business Corporation, duly incorporated pursuant to the laws of the Province of Saskatchewan, and registered to carry on business in the City of Regina.

4. The Defendant, P.I. Financial, (hereinafter referred to as "P.I.") is a license holder and broker – dealer in the Province of Saskatchewan, and is registered with International Institution of Regulators of Canada.

5. The Defendant, Primewest Mortgage Investment Corporation (hereinafter referred to as "Primewest Mortgage") is a mortgage investment corporation that is publically traded and, at all material times to this action, was traded on the Canadian Securities Exchange, and is a reporting issue in Saskatchewan pursuant to the Securities Act of Saskatchewan 1988 chapter 42.2.

6. On or about May 10, 2016 the Plaintiff, Granite Enterprises Inc. (hereinafter referred to as "Granite" or the "Plaintiff") purchased 15,000 Class A Shares at $10.00 a share in Primewest Mortgage, through its broker P.I. (hereinafter referred to as the "Investment").

7. The Plaintiff says that it was represented to the Plaintiff by Primewest Mortgage's broker – dealer, Jim Harris of P.I., that the monies from the Investment would be used by Primewest Mortgage to place real estate mortgages primarily in the residential real estate market.

8. At the time the Investment was made by the Plaintiff the Defendants failed to provide a copy of the subscription agreement or any prospectus or any other offering document.

9. Subsequent to the investment being made by the Plaintiff, on or about June 10, 2016, Jim Harris of P.I. requested Mr. Greg Watkins, the principal shareholder and director in Granite, join a dissident group of shareholders who were trying to get Mr. Donald Zealand reinstated in his role as CEO of Primewest Mortgage, as he had been recently terminated.

10. As a result of their actions, the Defendant, Primewest Mortgage, through its board of directors sought an order preventing Jim Harris and his other dissident shareholders from changing the board of directors. This application resulted in the postponing of the company's general meeting for over 6 months. This motion was dismissed in November 2016.

11. In taking this action Primewest Mortgage prevented an open discussion of the company's investment policy – a policy which had diverted from what Granite had been advised when it made the Investment. Furthermore, not having received a prospectus offering memorandum or even a subscription agreement from the company, the Plaintiff alleges that it would have had access to this information at the proposed General meeting and would have become aware of its recession rights, prior to the same expiring on November 5, 2016.

12. Granite says that at all times material to this action it was not provided with any written materials or documents by either P.I. or Primewest Mortgage. The Plaintiff says that by failing to provide such documentation the Defendants breached the rules and regulations set out *In The Securities Act of Saskacthewan,1988* Chapter 42.2 and also the rules and regulations as pronounced by the Financial and Consumer Affairs Authority including in particular Section 33.1, 55.11 and 80.1 of the Securities Act.

13. Additionally, it has been ascertained that Granite has a statutory right to rescind the purchase of its shares within 180 days of the purchase of the same. This right was not brought to Granite's attention by either Defendant until well after this period had expired.

13.1 Granite says that in the spring of 2017 Granite was not provided with audited financial statements for the year ending December 31st, 2016, which statements reflected a major restatement of 2015 earnings by reducing the same by $2,903,124.

13.2 Granite says that it would not have made this investment had any of the above information been disclosed to it prior to the date of purchase of the investment.

13.3 Granite stats that the 2015 financial statements that it relied upon in making the purchase reflected a secure stable investment with no mention of concerns over the loan portfolio or loan values.

14. Furthermore, the Plaintiff says that the financial information ~~statements~~ provided by the Defendants, upon which Granite based its decision to make the Investment were materially inaccurate and misrepresented Primewest Mortgage's financial position.

15. Additionally, Granite says that Primewest Mortgage has made several questionable loans that fall outside of the scope of its specified lending criteria, and that in so doing, it has misrepresented the residential nature of its portfolio when in fact it is a principally making loans of a commercial nature.

16. Granite says that Primewest Mortgage has breached its financing obligations to its shareholders, misrepresented the status of its financial statements, and misrepresented the nature of its investment portfolios, and in so doing, has breached the terms of the agreement between itself and the Plaintiff.

17. Granite further says that both Defendants have breached their obligations under *The Securities Act, 1988* of Saskatchewan by failing to provide to Granite the necessary or any documentation, including a subscription agreement so that it would be aware if its rights of recession.

18. Granite further says that P.I. breached its obligations to Granite as Granite's broker – dealer by not making Granite aware of its rights of recession and involving it in unnecessary court action and dispute which has harmed Granite's business.

19. Granite says that the share price of its shares has dropped dramatically, and its investment has sustained large losses.

20. Granite says that if it was aware of the true financial nature of Primewest Mortgage and what it was investing in that Granite would have never purchased shares in the first place. Further, had Granite been aware of its rights of recession it would have demanded its monies back within 180 days of the purchase.

21. Granite says it has suffered losses and claims damages against these Defendants as a result of the grounds set out herein.

22. The Plaintiff pleads and relies on *The Pre-Judgement Interest Act*.

23. The Plaintiff therefore, claims the following relief:

a. Recession of its shares at $10.00 a share;
b. Damages in lieu of recession in an amount to be proven at trial;
c. Interest pursuant to the provisions of *The Pre-Judgment Interest Act*; and
d. Costs of this action.

DATED at Regina, in the Province of Saskatchewan, this 9th day of May, 2018.

WILLOWS WELLSCH ORR & BRUNDIGE LLP

PER: "Sean P. Watson"
Solicitors for the Plaintiff, Granite Enterprises Inc.

AMENDED at Regina, Saskatchewan without leave pursuant Rule 3-72(1)(a) of *The Queen's Bench Rules* this 13th day of July, 2018.

PER: _____
Solicitors for the Plaintiff, Granite Enterprises Inc.

**Form 3-15A**
(Rule 3-15)

| | | |
|---|---|---|
| COURT FILE NUMBER | **QB NO. 1395 of 2018** | Clerk's Stamp |
| COURT OF QUEEN'S BENCH FOR SASKATCHEWAN | | |
| JUDICIAL CENTRE | **REGINA** | |
| PLAINTIFF | **GRANITE ENTERPRISES INC.** | |
| DEFENDANTS | **PRIMEWEST MORTGAGE INVESTMENT CORPORATION and P.I. FINANCIAL CORP.** | |

## STATEMENT OF DEFENCE ON BEHALF OF THE DEFENDANT, PRIMEWEST MORTGAGE INVESTMENT CORPORATION

1. The Defendant, PRIMEWEST MORTGAGE INVESTMENT CORPORATION ("**PrimeWest**") denies each and every allegation of fact as contained in the Plaintiff's Statement of Claim ("**the Claim**") except where expressly admitted herein.

2. PrimeWest admits the contents of paragraphs 2 and 5 of the Claim.

### STATUTORY AND REGULATORY CONTEXT

3. The Plaintiff purchased shares in PrimeWest as a result of a private placement launched March 21, 2016 (the "**private placement**"). The private placement was undertaken by PrimeWest pursuant to the Canadian Securities Administrator's "CSA Notice 45-318 - Prospectus Exemption for Certain Distributions through an Investment Dealer". The process and procedure under Notice 45-318 initially came into effect on January 14, 2016 and was adopted, in Saskatchewan, by the Financial and Consumer Affairs Authority of Saskatchewan's (Securities Division) pursuant to General Order 45-930 - *Exemption from prospectus requirement for*

*certain distributions through an investment dealer* ("**the General Order**"). The General Order was made pursuant to Section 83 of *The Securities Act, 1988*, and also came into effect on January 14, 2016. The General Order prescribes the terms and conditions on which an issuer, such as PrimeWest, can offer certain of its securities to the public exempt from the prospectus requirement, but subject to the registration requirement, of applicable securities laws. PrimeWest complied with the terms and conditions of the General Order, including the use of a registered investment dealer to effect the sale of its securities to interested individuals, including the Plaintiff. Pursuant to the terms of the private placement, PrimeWest prepared and circulated to interested investment dealers a standard form subscription agreement (the "**Subscription Agreement**") which each investor needed to sign, or have their investment dealer sign on their behalf, and deliver to PrimeWest in order for their subscription to be accepted by PrimeWest. The Subscription Agreement complied as to the form and content requirements of the General Order. After an initial closing on March 31, 2016, and subsequent closings on May 6th and 9th, 2016, PrimeWest closed the subscription books for the private placement on June 30, 2016.

**PRIMEWEST'S RESPONSE TO THE CLAIM**

4. In answer to paragraph 6 of the Claim, PrimeWest accepted the Plaintiff's Subscription Agreement for shares on May 9, 2016, however PrimeWest has no knowledge of the actual date that the Plaintiff's director, Greg Watkins, executed page 3 of the Subscription Agreement.

5. In answer to paragraph 7 of the Claim, PrimeWest has no knowledge of the nature of the representations, if any, that were made by the Plaintiff's investment advisor, Jim Harris. However PrimeWest's Press Release dated March 21, 2016 (which announced the private placement) stated the following:

> "The Total Available Funds will be used to increase the capital base of the Corporation, to be used for the purpose of making real property secured mortgages, and where required, for the purpose of reducing debt owing by the Corporation. ..."
>
> "The Corporation wishes to pursue a growth strategy whereby share capital is increased by up to $5,000,000. As of March 1, 2016 the Corporation has invested in 49 residential mortgages and 7 commercial mortgages. Assuming the maximum offering is achieved, the Corporation would plan to add up to a further 10 residential mortgages and 12 commercial mortgages to its lending portfolio."

Equivalent information was also contained in the Subscription Agreement which was executed by Greg Watkins on behalf of the Plaintiff.

6. In answer to paragraphs 8, 12 and 17 of the Claim:

   a. PrimeWest has no knowledge of whether the co-Defendant, P.I. Financial Corp. ("**PI Financial**") made the Subscription Agreement available to the Plaintiff but if PI Financial did not do so, this would have been a breach, by PI Financial, of the express or implied terms of the arrangement which had been reached between PrimeWest and PI Financial in connection with the marketing of the private placement by PI Financial;

   b. PI Financial was, and is, at all material times to the within Claim, a registered investment dealer in the Province of Saskatchewan, having national registration number 5290, and Jim Harris was a licensed investment dealer in Saskatchewan and employee of PI Financial;

c. In reliance on the General Order, PrimeWest engaged PI Financial and Jim Harris to market and sell the securities of PrimeWest under the private placement. PrimeWest expected and relied on PI Financial to be aware of and abide by the terms and conditions of the General Order, and, more specifically, the delivery of suitability advice to their clients based on their statutory obligations as registered investment dealers.

d. Pursuant to the General Order, PrimeWest prepared and provided to PI Financial and Jim Harris the Subscription Agreement, which Subscription Agreement contained, amongst other things, acknowledgements of the Investor that:

   i. The Investor obtained advice regarding the suitability of the investment and that advice had been obtained from a person that was registered as an investment dealer in their jurisdiction;

   ii. The Investor was aware of the characteristics of the Subscribed Securities, the risks relating to the investment therein and of the fact that the Investor may not be able to resell the Subscribed Securities except in accordance with limited exemptions under applicable securities legislation;

   iii. The Investor was aware that the sale of the Subscribed Securities had not been qualified under the securities legislation in the jurisdiction in which the Investor resides by way of prospectus or offering memorandum and that the Investor was purchasing the Subscribed Securities pursuant to an exemption contained in, or

issued under, the securities laws applicable in the jurisdiction in which the Investor resides and that such exemption would relieve PrimeWest from certain of the obligations of the securities legislation applicable in the jurisdiction in which the Investor resides;

iv. The Investor had been informed, and was aware, of the proposed use of the their investment in PrimeWest;

v. There are risks associated with the purchase of the Subscribed Securities; and

vi. The Subscription Agreement represents the entire agreement as among the parties thereto relating to the subject matter thereof and there are no representations, covenants or other agreements relating to the subject matter thereof except as stated or referred to therein

e. PI Financial and Jim Harris provided PrimeWest with a Subscription Agreement signed by the Plaintiff, and PrimeWest relied on the acknowledgements of the Plaintiff set out in that Subscription Agreement when deciding to accept the Plaintiff's subscription.

7. PrimeWest repeats the allegations of fact outlined in paragraph 6, of this Defence and pleads that if the remedies which the Plaintiff asserts in the Claim were caused in whole or in part by PI Financial's failure to provide the Plaintiff with a copy of the Subscription Agreement, then PrimeWest claims the entitlement to commence cross-claim proceedings for contribution and indemnity against PI

Financial together with third party proceedings against PI Financial's then employee, Jim Harris.

8. In answer to paragraphs 9 and 10 of the Claim, PrimeWest admits that as a result of the Plaintiff through its director Greg Watkins (together with Jim Harris and others) seeking to change PrimeWest's Board of Directors, PrimeWest made an application in the fall of 2016 for the appointment of a court appointed inspector. PrimeWest denies however that this application postponed PrimeWest's Annual General Meeting instead, the Annual General Meeting took place as scheduled on June 8, 2016.

9. PrimeWest denies that the provisions of *The Securities Act, 1988* (Saskatchewan) (the "**Act**") which are outlined in paragraph 12 of the Claim have any application to the Claim. In particular:

   a. Section 33.1 has no application as PrimeWest was not, and never has been a "registrant" under the *Act*;

   b. Section 55.11 has no application as PrimeWest did not make any statement which was "...misleading or untrue in a material respect ...". As stated above, all investment advice that the Plaintiff would have received in connection with this investment came from the Plaintiff's investment advisor, PI Financial and/or its employee, Jim Harris;

   c. Section 80.1 has no application as PrimeWest did not use an offering memorandum in connection with the private placement, nor was PrimeWest required under applicable securities laws to issue or circulate an offering memorandum in connection with this private placement.

Instead, as outlined in paragraph 3 above, PrimeWest relied on the exemption from the prospectus requirement of applicable securities laws set out in the General Order in conducting this private placement.

10. PrimeWest denies the Plaintiff's assertion, in paragraph 13 of the Claim, that the Plaintiff was not aware of the contractual limitation on its rescission right and on its right to damages. Instead:

a. The limitation on its rescission right and on its right to damages was a contractual provision incorporated into the Subscription Agreement pursuant to the General Order that the Plaintiff signed and delivered to PrimeWest and, in any event, the Plaintiff is deemed, as a matter of law, to be aware of any statutory rights of rescission under the Act in its' favor as well as the statutory limitation periods applicable thereto. PrimeWest has no obligation, statutory or otherwise, to ensure that such rights of recession or limitation period pertaining to such recession rights are specifically brought to the attention of an investor. Such obligation, if it exists, is the responsibility of the investment dealer who gives suitability advice to the investor;

b. The limitation on the Plaintiff's rescission right and right to damages was specifically outlined in PrimeWest's Subscription Agreement which either was, or ought to have been, provided to the Plaintiff by P.I. Financial and which the Plaintiff executed and then delivered, or caused to be delivered through P.I. Financial, to PrimeWest.

11. PrimeWest repeats the allegations of fact and conclusions of law outlined in paragraph 10 of this Defence and pleads that the Claim is barred by the contractual limitations concerning rescission and damages imposed under the General Order and disclosed in the Subscription Agreement.

12. In answer to paragraphs 13.1, 13.2, 13.3, 14, 15 and 16 of the Claim, PrimeWest's unqualified audited annual financial statements for the year ending December 31, 2015 were accurate when they were prepared and did indicate that certain of the mortgages within PrimeWest's portfolio were "impaired" and other mortgages (both commercial and residential) were in arrears and past due. In any event, the information which was contained in PrimeWest's Financial Statements for the year-end December 31, 2016 was based upon the changing circumstances which had taken place between the original preparation of the year-end 2015 Financial Statements and the preparation of the year-end 2016 Financial Statements. PrimeWest has no knowledge as to why the Plaintiff did not receive a copy of the audited financial statements of PrimeWest for its year ending December 31, 2016, but PrimeWest states that a copy of such financial statements was posted in the regular mail to all shareholders of record of PrimeWest as of March 31, 2017, and such audited financials were posted on SEDAR as required under applicable securities laws. PrimeWest states that this information was also publicly available long before the circulation of PrimeWest's year-end 2016 Financial Statements in the spring of 2017. In particular:

    a. In June of 2016 PrimeWest terminated its then CEO Donald Zealand for cause; however, the reasons for the termination were unrelated to any

issues concerning the assessment or valuation of the mortgage portfolio;

b. Subsequent to Mr. Zealand's termination PrimeWest re-examined and re-assessed its mortgage portfolio;

c. The reassessment of the mortgage portfolio led to a series of revisions to the value of the impaired mortgages with these revisions accurately and appropriately documented in;

   (i) The unaudited interim financial statement for the three and six months ended June 30, 2016;

   (ii) The unaudited interim financial statement for the three and nine months ended September 30, 2016;

   (iii) The audited financial statements of the corporation for the year ended December 31, 2016.

d. As it was obliged to do under applicable securities laws, PrimeWest documented and publically disclosed this evolving situation with respect to the mortgage portfolio by posting, on the SEDAR website, press releases, Material Change Reports, all quarterly financial statements and the yearend December 31, 2016 financial statements (with the revised comparative analysis for year-end 2015). Such restatement was made in accordance with generally accepted accounting principles and in compliance with the requirements of applicable securities laws relating to a restatement of previously presented financial information;

e. PrimeWest made these filings reflecting this evolving situation by postings on the SEDAR website dated July 21, 2016, August 26, 2016, September 20, 2016, September 29, 2016, November 28, 2016, January 18, 2017, March 31, 2017 and April 3, 2017.

13. PrimeWest repeats each and every allegation of fact outlined herein and asks that the Plaintiff's Claim be dismissed with costs.

**NOTICE**

If you intend to make a reply to this Statement of Defence, you must serve and file the reply within 8 days after service of the Statement of Defence.

DATED at Saskatoon, Saskatchewan, this 6th day of September, 2018.

McDOUGALL GAULEY LLP

Per: _____
Solicitors for the Defendant
PRIMEWEST MORTGAGE INVESTMENT CORPORATION

**CONTACT INFORMATION AND ADDRESS FOR SERVICE**
**If prepared by a lawyer for the party:**


| | |
|---|---|
| Name of firm: | McDougall Gauley LLP |
| Name of lawyer in charge of file: | **Robert G. Kennedy, Q.C.** |
| Address of legal firm: | 500-616 Main St.<br>Saskatoon, SK S7H 0J6 |
| Telephone number: | 306.653.1212 |
| Facsimile number: | 306.652.1323 |
| Email address: | rkennedy@mcdougallgauley.com |
| File number: | 528587.20 |

**FORM 3-15A**
(Rule 3-15)

COURT FILE NUMBER Q.B.G. No. 1395 of AD 2018

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE REGINA

PLAINTIFF GRANITE ENTERPRISES INC.

DEFENDANTS PRIMEWEST MORTGAGE INVESTMENT CORPORATION and P.I. FINANCIAL

## STATEMENT OF DEFENCE

1. Except where hereinafter expressly admitted the Defendant, PI Financial Corp. (**"PI"**) denies each and every allegation contained in the Plaintiff's Statement of Claim (**"Claim"**).

2. In reply to paragraphs 3 and 4 of the Claim, PI is a British Columbia corporation, extra-provincially registered in the province of Saskatchewan. PI is registered as an investment dealer in all provinces and territories of Canada. It is a member of the Investment Industry Regulatory Organization of Canada (**"IIROC"**), and is a participating organization in the Toronto Stock Exchange, TSX Venture Exchange, and Montreal Exchange.

3. PI has no knowledge of the statements and allegations contained at paragraphs 2, 15 and 16 of the Claim.

4. PI admits paragraphs 5 and 6 of the Claim.

5. PI denies the statements and allegations contained at paragraphs 7, 8, 9, 10, 11, 12, 13, 13.1, 13.2, 13.3, 14, 17, 18, 19, 20, 21, 22 and 23 of the Claim, and holds the Plaintiff to strict proof thereof.

6. In specific response to paragraphs 6 and 13.3 of the Claim, which for greater certainty paragraph 13.3 of the Claim is adamantly denied, PI states that the Plaintiff held an investment account at PI through his PI investment advisor James Harris and that on or about May 6, 2016, the Plaintiff signed a subscription agreement in relation to his purchase of Prime West Mortgage

Investment Corporation shares. PI also states that, on or about May 6, 2016, the Plaintiff signed a Confirmation and Acknowledgement document in relation to the subscription agreement which states, *inter alia*:

> "The undersigned (the "Investor") acknowledges that PI Financial has introduced the Investor to the Company in order that the Investor may consider the Financing. The Investor represents and warrants that:
>
> 1. The Investor is purchasing the securities offered under the Financing as principal and such securities may be subject to resale restrictions;
>
> 2. **The investment decision to participate in the Financing has been made by the Investor based upon information included in the Company's periodic and timely disclosure documents that the Company has filed in each jurisdiction of Canada in which it is a reporting issuer, the Investor's assessment of such information and advice received from the Investor's Investment Advisor**;
>
> 3. **PI Financial has advised the Investor that investment in the Financing is high-risk in nature**, and is suitable for the Investor only for that portion of the Investor's portfolio that is allocated for high risk investments; and
>
> 4. PI Financial has not entered into an agency or underwriting agreement with the Company and has not undertaken any due diligence review of the Company, however PI Financial may be receiving from the Company a cash fee and/or finder's securities as consideration for the Investor's participation in the Financing. In the event there is no consideration from the Company, PI Financial will charge a $100 administration fee to cover the processing costs associated with this participation.
>
> The foregoing are true and accurate as of the date of hereof and will be true and accurate as of the time of the closing of the Financing. **If any of the foregoing shall not be true and accurate prior to closing of the Financing, the Investor shall give immediate written notice of such fact to PI Financial prior to the closing of the Financing.**" [Emphasis added]

7. PI further denies that it owed the Plaintiff obligations as alleged. In addition and/or the alternative, if and to the extent that any obligation(s) were owed by PI to the Plaintiff, which is not admitted but expressly denied, PI denies that it breached those obligations, including without limitation:

(a) any obligation owed under *The Securities Act, 1988*; and/or

(b) any obligation owed as the Plaintiff's broker-dealer, under IIROC rules or policies.

8. PI further denies that the Plaintiff has suffered any loss or damage as alleged, or at all. In addition and/or the alternative, if the Plaintiff suffered loss or damage, whether as alleged or at all (which is not admitted but expressly denied) PI states that those damages were not caused or contributed to by any alleged conduct or failures on the part of PI.

9. Further and/or in the alternative, if the Plaintiff suffered loss or damage it was the result of, inter alia, any one or combination of the following:

(a) its own failure to conduct any and/or adequate due diligence on Prime West Mortgage Investment Corporation;

(b) its own failure to provide PI with instructions to liquidate securities of Prime West Mortgage Investment Corporation in a timely fashion;

(c) Its own failure to take reasonable steps to information itself of any "rights of recession";

(d) the unpredictable vagaries of market forces; and

(e) any other action or inaction on the part of the Plaintiff that may be proven at trial.

10. PI , therefore, requests that the Claim against it be dismissed with costs.

**NOTICE**

If you intend to make a reply to this Statement of Defence, you must serve and file the reply within 8 days after service of the Statement of Defence.

DATED at Regina, Saskatchewan, this 9 day of October, 2018.

MLT Aikins LLP

Per: _____
Tristan N. Culham, Counsel for the Defendant, P.I. Financial

**CONTACT INFORMATION AND ADDRESS FOR SERVICE**
**If prepared by a lawyer for the party:**


| | |
|---|---|
| Name of firm: | MLT Aikins LLP |
| Name of lawyer in charge of file: | Tristan N. Culham |
| Address of legal firm: | 1500 - 1874 Scarth Street<br>Regina, Saskatchewan S4P 4E9 |
| Telephone number: | (306) 347-8423 |
| Fax number (*if any*): | (306) 352-5250 |
| E-mail address (*if any*): | TCulham@mltaikins.com |
| File Number: | 17698.10 |

TAB P

THIS IS EXHIBIT "P" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires:
Or being a solicitor.

COURT FILE NUMBER Q.B.G No. 1889 of AD 2018

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE REGINA

PLAINTIFF DEBBIE GLORIA BURWASH

DEFENDANTS PRIMEWEST MORTGAGE INVESTMENT CORPORATION

## NOTICE TO DEFENDANT

1 The plaintiff may enter judgment in accordance with this Statement of Claim or the judgment that may be granted pursuant to *The Queen's Bench Rules* unless, in accordance with paragraph 2, you:

(a) serve a Statement of Defence on the plaintiff; and

(b) file a copy of it in the office of the local registrar of the Court for the judicial centre named above.

2 The Statement of Defence must be served and filed within the following period of days after you are served with the Statement of Claim (excluding the day of service):

(a) 20 days if you were served in Saskatchewan;

(b) 30 days if you were served elsewhere in Canada or in the United States of America;

(c) 40 days if you were served outside Canada and the United States of America.

3 In many cases a defendant may have the trial of the action held at a judicial centre other than the one at which the Statement of Claim is issued. Every defendant should consult a lawyer as to his or her rights.

4 This Statement of Claim is to be served within 6 months from the date on which it is issued.

5 This Statement of Claim is issued at the above-named judicial centre on the 29th day of June, 2018.

J. WEBSTER
DY. LOCAL REGISTRAR

Local Registrar

(SEAL)

## STATEMENT OF CLAIM

1. The Plaintiff, Debbie Burwash is a resident of Macklin in the Province of Saskatchewan.

2. The Defendant Primewest Mortgage Investment Corp., is a Saskatchewan Business Corp., duly incorporated pursuant to the laws of the Province of Saskatchewan, and is registered to carry on business in the City of Regina in the Province of Saskatchewan.

3. The Defendant Primewest Mortgage Investment Corp. (hereinafter referred to as "Primewest") is a mortgage investment corporation that is publically traded and, at all material times to this action, was traded on the Canadian Securities Exchange, and is a reporting issuer in Saskatchewan pursuant to the Securities Act of Saskatchewan, 1988 Chapter 42.2.

4. The Plaintiff had previously invested in Primewest and had continually received respectable and predictable returns. In May of 2016 the Plaintiff was advised that an offering had been made by Primewest to the public whereby the company was offering shares for sale at $10.00 a share. Given the previous respectable returns from the company the Plaintiff decided to look into making a further investment.

5. The Plaintiff accessed the company's financial information on the Sedar website (where publically traded companies detail information about their companies such as financial statements, recent transactions and updates as to material change events and post the same for public distribution). The companies audited financial statements for the year ending December 2015 were posted to the website by the Defendant and showed a very successful year for Primewest with income for the year at $1,842,716 which was comparable to the 2014 performance and most prior years.

6. That on May 5th 2016 I purchased 25,000 Class A shares @ $10.00 a share in Primewest Mortgage for $250,000 (hereinafter referred to as the "Investment").

7. The Plaintiff says that it was represented by Primewest that the monies from the Investment would be used to place real estate mortgages primarily in the residential real estate market.

8. That on June 30th 2016 the offering for share purchase in Primewest closed successfully.

9. That on November 21st 2016 the Plaintiff became aware upon receipt of an email communication from Primewest, that there had been significant changes to the company commencing with a dismissal for cause of the CEO in June 2016, which occurred before the offering closed.

10. That as a result of this communication the Plaintiff accessed the Sedar site where the dismissal was confirmed, and also learned that the Board of Directors of the company

after 39 successful quarters of paying dividends to the shareholders, had suspended the same.

11. That in the spring of 2017 the Plaintiff was provided with audited financial statements for the year ending December 31st 2016, which statements reflected a major restatement of 2015 earnings by reducing the same by $2,903,124.

12. That the Plaintiff would not have made this investment had any of the above information been disclosed to me prior to the date of purchase of the investment.

13. That the 2015 financial statements that I relied upon in making my purchase reflected a secure stable investment with no mention of concerns over the loan portfolio or loan values.

14. The Plaintiff says that at all times material to this action it was not provided with any written materials or documents by Primewest. The Plaintiff says that by failing to provide such documentation the Defendant breached the rules and regulations set out *in The Securities Act of Saskacthewan,1988* Chapter 42.2 and also the rules and regulations as pronounced by the Financial and Consumer Affairs Authority including in particular Section 33.1, 55.11 and 80.1 of the Securities Act.

15. Additionally, it has been ascertained that the Plaintiff that a right to rescind the purchase of its shares within 180 days of the purchase of the same existed. This right was not brought to the Plaintiff's attention at any material time by the Defendant and the Plaintiff only recently became aware that this right existed.

16. That the Plaintiff was unable to rescind my investment on November 21st 2016 as six months had passed since the purchase of the shares on May 6th 2016.

17. Furthermore, the Plaintiff says that the financial statements provided by the Defendant, upon which the Plaintiff based its decision to make the Investment, were materially inaccurate and misrepresented Primewest's financial position.

18. Additionally, the plaintiff says that Primewest has made several questionable loans that fall outside of the scope of its specified lending criteria, and that in so doing, it has misrepresented the residential nature of its portfolio when in fact it is a principally making loans of a commercial nature.

19. The Plaintiff says that Primewest has breached its financing obligations to its shareholders, misrepresented the status of its financial statements, and misrepresented the nature of its investment portfolios, and in so doing, has breached the terms of the agreement between itself and the Plaintiff.

20. The Plaintiff further says that the Defendant has breached its obligations under *The Securities Act, 1988* of Saskatchewan by failing to provide to the Plaintiff the

necessary information or documentation, to make an informed decision and so that it would be aware if her rights of recession.

21. The Plaintiff says that the share price of the shares has dropped dramatically, and the investment has sustained large losses.

22. The Plaintiff says that if she had been aware of the true financial position of Primewest and the actual status of the portfolio that she was investing in, then the Plaintiff would have never purchased any further shares in the company.

23. The Plaintiff says it has suffered losses and claims damages against this Defendant as a result of the grounds set out herein.

24. The Plaintiff pleads and relies on *The Pre-Judgement Interest Act*.

25. The Plaintiff therefore, claims the following relief:

    a. Recession of its shares at $10.00 a share;
    b. Damages in lieu of recession in an amount to be proven at trial;
    c. Interest pursuant to the provisions of *The Pre-Judgment Interest Act*; and
    d. Costs of this action.

DATED at Regina, in the Province of Saskatchewan, this 29 day of June, 2018.

WILLOWS WELLSCH ORR & BRUNDIGE LLP

PER: _____
Solicitors for the Plaintiff, Burwash

This document was delivered by:

Willows Wellsch Orr & Brundige LLP
Barristers and Solicitors
401-1916 Dewdney Avenue
Regina, Saskatchewan
S4R 1G9

Address for service: same as above
Lawyer in charge of file: David J. Brundige Q.C.
Telephone: (306) 525-2191
Facsimile: (306) 757-8138

**Form 3-15A**
(Rule 3-15)

COURT FILE NUMBER **QB NO. 1889 of 2018**

Clerk's Stamp

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE **REGINA**

PLAINTIFF **DEBBIE GLORIA BURWASH**

DEFENDANT **PRIMEWEST MORTGAGE INVESTMENT CORPORATION**

# STATEMENT OF DEFENCE

1. The Defendant, PRIMEWEST MORTGAGE INVESTMENT CORPORATION ("**PrimeWest**") denies each and every allegation of fact as contained in the Plaintiff's Statement of Claim ("**the Claim**") except where expressly admitted herein.

2. PrimeWest admits the contents of paragraphs 2 and 3 of the Claim.

## STATUTORY AND REGULATORY CONTEXT

3. The Plaintiff purchased shares in PrimeWest as a result of a private placement launched March 21, 2016 (the "**private placement**"). The private placement was undertaken by PrimeWest pursuant to the Canadian Securities Administrator's "CSA Notice 45-318 - Prospectus Exemption for Certain Distributions through an Investment Dealer". The process and procedure under Notice 45-318 initially came into effect on January 14, 2016 and was adopted, in Saskatchewan, by the Financial and Consumer Affairs Authority of Saskatchewan's (Securities Division) pursuant to General Order 45-930 - *Exemption from prospectus requirement for certain distributions through an investment dealer* ("**the General Order**"). The

General Order was made pursuant to Section 83 of *The Securities Act, 1988*, and also came into effect on January 14, 2016.The General Order prescribes the terms and conditions on which an issuer, such as PrimeWest, can offer certain of its securities to the public exempt from the prospectus requirement, but subject to the registration requirement, of applicable securities laws. PrimeWest complied with the terms and conditions of the General Order, including the use of a registered investment dealer to effect the sale of its securities to interested individuals, including the Plaintiff. Pursuant to the terms of the private placement, PrimeWest prepared and circulated to interested investment dealers a standard form subscription agreement (the "**Subscription Agreement**") which each investor needed to sign, or have their investment dealer sign on their behalf, and deliver to PrimeWest in order for their subscription to be accepted by PrimeWest. The Subscription Agreement complied as to the form and content requirements of the General Order. After an initial closing on March 31, 2016, and subsequent closings on May 6th and 9th, 2016, PrimeWest closed the subscription books for the private placement on June 30, 2016.

**PRIMEWEST'S RESPONSE TO THE CLAIM**

4. In answer to paragraph 4 of the Claim:

   a. The Plaintiff was introduced to the investment prior to May 1, 2016 as on April 29, 2016 she executed a "Form 45-106F9 *Form for Individual Accredited Investors*". The following warning was placed at the beginning of this Form, immediately after the form title:

**WARNING!**

**This investment is risky. Don't invest unless you can afford to lose all the money you pay for this investment.**

b. In the body of the Form the Plaintiff specifically acknowledged:

(i) She could lose her entire investment;

(ii) She may not be able to sell her investment;

(iii) She may receive little or no information about the investment.

5. In answer to paragraph 6 of the Claim, the Plaintiff completed and signed the Subscription Agreement on April 29, 2016, which Subscription Agreement was then delivered to and accepted by PrimeWest on May 5, 2016.

6. In answer to paragraphs 7, 18 and 19 of the Claim, PrimeWest denies that it made any representations or misrepresentations to the Plaintiff. Instead:

a. To the Plaintiff's knowledge, she was investing in a private placement which exempted PrimeWest from providing the Plaintiff with a prospectus or offering memorandum so long as PrimeWest distributed its securities through an investment dealer under the General Order;

b. The Plaintiff purchased the shares through Richardson GMP Limited, and more specifically, her investment advisor, Doug George;

c. Richardson GMP Limited was, and is, at all material times to the within Claim a registered investment dealer in the Province of Saskatchewan, having national registration number 21970, and Doug George was a licensed investment dealer and employee of Richardson GMP Limited;

d. Any representations which the Plaintiff received concerning the investment would have been received from Richardson GMP Limited and/or Doug George;

e. It was Richardson GMP's statutory responsibility to ensure that their client, the Plaintiff, understood the nature of the investment and that the securities of PrimeWest were a suitable investment for the Plaintiff. It was also Richardson GMP's obligation to review and complete the Subscription Agreement with the Plaintiff. In accepting the Plaintiff's Subscription Agreement, PrimeWest relied on Richardson GMP's obligation to ensure that the Plaintiff understood what she was investing in, and that such investment was suitable for her;

f. The notices and press releases which PrimeWest posted on the "SEDAR" site indicated that the proceeds of the placement would be used to pay down debt and to invest in both commercial and residential mortgages;

g. None of the proceeds of the private placement were used by PrimeWest to invest in commercial mortgages;

h. At no time was PrimeWest's mortgage portfolio "principally" involved with commercial mortgages rather the majority of PrimeWest's lending portfolio has always been invested in residential mortgages.

7. PrimeWest denies that the financial information and statements which were in the unqualified audited annual financial statements for the year ending December 31, 2015 (and referred to by the Plaintiff in paragraph 5 of the Claim) were, at the

time that they were reviewed by the Plaintiff, or at any time thereafter, inaccurate or misleading in any material respect. Instead:

a. The entries in the "Statement of Comprehensive Income" relating to bad debts and provision for interest on delinquent mortgages was accurate at the time that the financial statements were prepared;

b. The statement of the increased lending risk with respect to the overall mortgage portfolio which is outlined in Note 1 was accurate at the time and has been accurate at all times material hereto;

c. The description in Note 4 and in Note 5 of the process behind assessing any particular mortgage loan as being "impaired" was accurate and reflects that this assessment is one of considered judgment and opinion as opposed to a simple and precise statement of fact;

d. The statement, in Note 9 concerning the total impairment in the mortgage portfolio as at December 31, 2015 (and the comparative figures for 2014) were reasonable assessments and opinions of management at the time they were made;

e. The quantification of the "Mortgages past due but not impaired" which is also in Note 9 was accurate in stating the total amounts past due for all non-impaired mortgages;

f. The description in Note 17 of the risks associated with the mortgage portfolio was accurate at the time as was the total value of the mortgage portfolio and the percentage of mortgages invested in residential mortgages and in commercial mortgages;

8. In answer to paragraph 11 of the Claim, both the description of the mortgage portfolio in the 2015 Financial Statements (as originally prepared and presented) and the comparative analysis of the mortgage portfolio in the restated 2015 Financial Statements (which is contained in the financial statements for the period ending December 31, 2016) accurately portray PrimeWest's mortgage portfolio when the Statements were prepared. The revision to the figures as at December 31, 2015 was based upon the changing circumstances which had taken place between the preparation of the yearend 2015 financial statements and the preparation of the yearend 2016 financial statements and was presented in the manner required by generally accepted accounting principles and as required under applicable securities laws . In particular:

   a. In June of 2016 PrimeWest terminated its then CEO Donald Zealand for cause; however, the reasons for the termination were unrelated to any issues concerning the assessment or valuation of the mortgage portfolio;
   b. Subsequent to Mr. Zealand's termination PrimeWest re-examined and re-assessed its mortgage portfolio;
   c. The reassessment of the mortgage portfolio lead to a series of revisions to the value of the impaired mortgages with these revisions accurately and appropriately documented in;
      (i) The unaudited interim financial statement for the three and six months ended June 30, 2016;
      (ii) The unaudited interim financial statement for the three and nine months ended September 30, 2016;

(iii) The audited financial statements of the corporation for the year ended December 31, 2016.

d. As it was obliged to do under applicable securities laws, PrimeWest documented and publically disclosed this evolving situation with respect to the mortgage portfolio by posting, on the SEDAR website, press releases, Material Change Reports, all quarterly financial statements and the yearend December 31, 2016 financial statements (with the revised comparative analysis for year-end 2015);

e. PrimeWest made these filings reflecting this evolving situation by postings on the SEDAR website dated July 21, 2016, August 26, 2016, September 20, 2016, September 29, 2016, November 28, 2016, January 18, 2017, March 31, 2017 and April 3, 2017.

9. PrimeWest denies that the provisions of *The Securities Act, 1988* (Saskatchewan) (the "**Act**") which are outlined in paragraph 14 of the Claim have any application to the Claim. In particular:

a. Section 33.1 has no application as PrimeWest was not, and never has been, a "registrant" under the *Act*;

b. Section 55.11 has no application as PrimeWest did not make any statement which was "...misleading or untrue in a material respect ...". As stated above, all investment advice that the Plaintiff would have received in connection with this investment came from her investment advisor, Richardson GMP and/or its employee, Doug George;

c. Section 80.1 has no application as PrimeWest did not use an offering memorandum in connection with the private placement, nor was PrimeWest required under applicable securities laws to issue or circulate an offering memorandum in connection with this private placement. Instead, as outlined in paragraph 3 above, PrimeWest relied on the exemption from the prospectus requirement of applicable securities laws set out in the General Order in conducting this private placement.

10. PrimeWest denies the Plaintiff's assertion, in paragraph 15 of the Claim, that she was not aware of the contractual limitation on her rescission right and on her right to damages. Instead:

a. The limitation on her rescission right and on her right to damages was a contractual provision incorporated into the Subscription Agreement pursuant to the General Order that she signed and delivered to PrimeWest and in any event the Plaintiff is deemed, as a matter of law, to be aware of any statutory rights of rescission under the Act in her favor as well as the statutory limitation periods applicable thereto. PrimeWest has no obligation, statutory or otherwise, to ensure that such rights of recession or limitation period pertaining to such recession rights are specifically brought to the attention of an investor. Such obligation, if it exists, is the responsibility of the investment dealer who gives suitability advice to the investor. ;

b. The limitation on the Plaintiff's rescission right and right to damages was specifically outlined in PrimeWest's Subscription Agreement which was

provided to the Plaintiff by Richardson GMP and which the Plaintiff executed and then delivered to PrimeWest, together with the "Form 45-106F9 – *Form for Individual Accredited Investors*" in April of 2016.

11. The Plaintiff knew or ought to have known about the evolving situation concerning the assessment and re-evaluation of PrimeWest's mortgage portfolio as this information was released to the public through PrimeWest's filings on the SEDAR website. PrimeWest denies that it had any obligation, statutory or otherwise, to bring this information directly to the Plaintiff's attention by any communication either to shareholders generally or to the Plaintiff specifically.

12. PrimeWest repeats the allegations of fact and conclusions of law outlined in paragraphs 10 and 11 herein and pleads that the Claim is barred by the contractual limitation period imposed under the General Order and disclosed in the Subscription Agreement..

13. In answer to paragraphs 20, 21 and 22 of the Claim, and in response to the Claim in general, PrimeWest states that the Plaintiff knew, or ought to have known, that an investment in the securities of PrimeWest was an investment subject to risks and that a loss of some or all of her investment could occur and that, in particular, and amongst other things, the Plaintiff acknowledged in her signed Subscription Agreement, which acknowledgements were relied on by PrimeWest when accepting her signed Subscription Agreement, that:

    a. She obtained advice regarding the suitability of the investment and... that advice had been obtained from a person that was registered as an investment dealer in her jurisdiction;

b. She was aware of the characteristics of the Subscribed Securities, the risks relating to the investment therein and of the fact that she may not be able to resell the Subscribed Securities except in accordance with limited exemptions under applicable securities legislation;

c. She was aware that the sale of the Subscribed Securities had not been qualified under the securities legislation in the jurisdiction in which she resides by way of prospectus or offering memorandum and that she was purchasing the Subscribed Securities pursuant to an exemption contained in, or issued under, the securities laws applicable in the jurisdiction in which she resides and that such exemption would relieve PrimeWest from certain of the obligations of the securities legislation applicable in the jurisdiction in which she resides;

d. She had been informed, and she was aware, of the proposed use of the her investment in PrimeWest;

e. There are risks associated with the purchase of the Subscribed Securities; and

f. The Subscription Agreement represents the entire agreement as among the parties thereto relating to the subject matter thereof and there are no representations, covenants or other agreements relating to the subject matter thereof except as stated or referred to therein.

14. PrimeWest repeats each and every allegation of fact outlined herein and asks that the Plaintiff's Claim be dismissed with costs.

**NOTICE**

If you intend to make a reply to this Statement of Defence, you must serve and file the reply within 8 days after service of the Statement of Defence.

DATED at Saskatoon, Saskatchewan, this 6th day of September, 2018.

McDOUGALL GAULEY LLP

Per: _____
Solicitors for the Defendant
PRIMEWEST MORTGAGE
INVESTMENT CORPORATION

**CONTACT INFORMATION AND ADDRESS FOR SERVICE**

**If prepared by a lawyer for the party:**


| | |
|---|---|
| Name of firm: | McDougall Gauley LLP |
| Name of lawyer in charge of file: | **Robert G. Kennedy, Q.C.** |
| Address of legal firm: | 500-616 Main St.<br>Saskatoon, SK S7H 0J6 |
| Telephone number: | 306.653.1212 |
| Facsimile number: | 306.652.1323 |
| Email address: | rkennedy@mcdougallgauley.com |
| File number: | 528587.19 |

# TAB Q

THIS IS EXHIBIT "Q" REFERRED TO IN THE AFFIDAVIT OF MARLENE KAMINSKY SWORN BEFORE ME AT SASKATOON, SASKATCHEWAN THIS 9TH DAY OF OCTOBER, 2019.

A Commissioner for Oaths in and for the Province of SASKATCHEWAN
my commission expires: _____.
Or being a solicitor.

Form 3-9
(Rule 3-9)

COURT FILE NUMBER Q.B.G. No. 1815 of 2017

COURT OF QUEEN'S BENCH FOR SASKATCHEWAN

JUDICIAL CENTRE REGINA

PLAINTIFF **PRIMEWEST MORTGAGE INVESTMENT CORPORATION**

DEFENDANTS **ANDREW ANINDO,**
**101010610 SASKATCHEWAN LTD.** and
**CROSS APPRAISALS INC.**

## NOTICE TO DEFENDANT

1. The plaintiff may enter judgment in accordance with this Statement of Claim or the judgment that may be granted pursuant to *The Queen's Bench Rules* unless, in accordance with paragraph 2, you:

(a) serve a Statement of Defence on the plaintiff; and

(b) file a copy of it in the office of the local registrar of the Court for the judicial centre named above

2. The Statement of Defence must be served and filed within the following period of days after you are served with the Statement of Claim (excluding the day of service):

(a) 20 days if you were served in Saskatchewan;

(b) 30 days if you were served elsewhere in Canada or in the United States of America;

(c) 40 days if you were served outside Canada and the United States of America.

3. In many cases a defendant may have the trial of the action held at a judicial centre other than the one at which the Statement of Claim is issued. Every defendant should consult a lawyer as to his or her rights.

4. This Statement of Claim is to be served within 6 months from the date on which it is issued.

5. This Statement of Claim is issued at the above-named judicial centre on the 17th day of July, 2017.

Court Seal

SEAL

K. Waddell
Dy. Local Registrar

Local Registrar

## STATEMENT OF CLAIM

1. The Plaintiff, **PRIMEWEST MORTGAGE INVESTMENT CORPORATION**, is a body corporate pursuant to *The Business Corporations Act* of Saskatchewan, with its registered office situated in the City of Regina, in the Province of Saskatchewan (hereinafter "Primewest").

2. The Defendant, **101010610 SASKATCHEWAN LTD.**, is a body corporate pursuant to *The Business Corporations Act* of Saskatchewan, with its registered office situated in the City of Regina, in the Province of Saskatchewan, which at all material times operated as The Mortgage Centre - Power Mortgage ("Power Mortgage").

3. The Defendant, **CROSS APPRAISALS INC.**, is a body corporate pursuant to *The Business Corporations Act* of Saskatchewan, with its registered office situated in the City of Regina, in the Province of Saskatchewan (hereinafter "Cross Appraisals").

4. The Defendant, **ANDREW ANINDO** (hereinafter "Anindo"), is an individual who resides at all times in the City of Regina, in the Province of Saskatchewan.

5. At all material times Primewest acted as a mortgagee, offering residential and commercial mortgages.

6. At all material times Power Mortgage operated a licensed mortgage brokerage located at 2058 Lorne St, Regina, SK.

7. At all material times Anindo acted as a licensed mortgage broker who was employed by Power Mortgage.

**Facts**

8. In approximately November of 2013, Moiz Kidwai and Mumtazs Zaidi (hereinafter "Kidwai and Zaidi") entered into a purchase agreement to purchase the residential home located at 1455 Rothwell Street, Regina, Saskatchewan (the "Property") for the sum of $325,000 with a $65,000 down payment.

9. On or about November 3, 2013, Anindo, acting in his capacity as a mortgage broker and employee of Power Mortgage, completed a mortgage application on behalf of Kidwai which sought a mortgage from Primewest for the Property. The mortgage contained the following representations:

(a) That Kidwai and Zaidi's joint annual income was $89,00.00;

(b) That Kidwai and Zaidi owned no other residences and had no liabilities associated with such a residence;

(c) That Kidwai and Zaidi had no rental properties or other properties and had no liabilities associated with any rental properties or other properties; and

(d) That Kidwai rented a property civically described as 5003 7th Avenue North (the "7th Avenue North Property"), with a monthly rental obligation of $1,500 a month. The mortgage application further represented that this rental arrangement would be terminated upon the completion of purchase of the Property and Kidwai and Zaidi would thereafter reside in the Property as their primary residence.

(the "Representations")

10. On November 20, 2013, Primewest, in reliance upon the Representations, provided a commitment letter to Kidwai which offered mortgage financing for the purchase of the Property on the following terms:

(a) Mortgage amount of $284,900;

(b) Interest rate of 6.95%;

(c) Seven-month term; and

(d) Amortization period of 25 years.

11. The Commitment Letter provided a covenant that Kidwai not seek or secure additional financing of any kinds without prior written approval of a Primewest representative.

12. Primewest further states that the mortgage for the Property was conditional upon a satisfactory appraisal of the Property demonstrating a minimum market value of $325,000 with no structural defects.

13. Primewest states that it retained Cross Appraisals for the purpose of completing an appraisal of the Property. Cross Appraisals was aware at all materials times that the appraisal was being completed for financing purposes. Primewest further states that its contract with Cross Appraisals required that Cross Appraisals accurately describe the state of the Property and further advise of potential concerns that could have an adverse effect on the value of the Property (the "Appraisal Contract").

14. Primewest states that the appraisal of the Property was completed on or about November 4, 2013 and which appraised the Property to have a market value of $325,000. Primewest further states that the Appraisal noted that the basement was unfinished with three walls being re-enforced with metal bracing and the north wall appearing to be an updated concrete wall. Primewest states that no further comments were provided by the appraisal with regard to the basement, the foundation or any other structural elements of the Property.

15. In reliance upon the Appraisal and the representations contained in the Mortgage Application, Primewest registered its mortgage against the Property and advanced the mortgage funds on or about December 11, 2013.

16. Primewest states that on or about November 4, 2014, a structural inspection of the foundation of the Property was conducted which noted that the existing foundation was not structurally adequate and would need to be replaced in the near future.

17. Primewest states that it did not become aware of the structural issues regarding the Property until June of 2016.

18. Primewest further states that on or about August 4, 2015 it became aware that:

(a) In 2013, prior to purchasing the Property, Kidwai and Zaidi had entered into a rent-to-own agreement with regard to the property civically described as 5003 7th Avenue North, Regina, for which Kidwai and Zaidi had placed a $52,000 deposit.

(b) That following completion of the Property, Kidwai and Zaidi continued to reside in the 7th Avenue North Property and make monthly payments pursuant to the rent-to-own agreement.

(c) That Kidwai and Zaidi had never resided in the Property as their primary residence, rather they rented the Property to a third party.

19. Primewest further states that on March 29, 2017, it obtained legal title to the Property with an outstanding mortgage amount of $314,981.96.

20. Primewest states that the Property has suffered a significant drop in value due to the foundation issues such that Primewest shall be required to either:

(a) Lift the home and replace the basement at an estimated cost of $195,000; or

(b) Sell the Property at a significantly reduced price given the basement issues.

**Causes of Action**

**Cross Appraisals Inc.**

21. Primewest states that Cross Appraisals breached the Appraisal Contract in that it's appraisal of the Property failed to give notice of conditions that could adversely affect the value of the Property including, but not limited to, failing to advise of:

(a) Signs of water seepage in the basement along the foundation;

(b) Signs of extreme heaving in the basement along the foundation and on the concrete floor slab; and

(c) That the exterior grading sloped back towards the basement foundation such that water would drain in this direction.

22. Primewest further states that Cross Appraisals breached the Appraisal Contract in failing to give notice to Primewest that the Property should be inspected by a structural engineer given the aforementioned defects.

23. Further or in the alternative, Primewest states that at all material times Cross Appraisals was aware that the appraisal was for the purpose of assessing whether financing should be advanced and that the Property would act as security for the financing. As such, it is submitted that Cross Appraisals owed Primewest a duty of care to accurately represent the condition of the property, including giving notice of any conditions that could adversely affect the value of the Property. Primewest further states that Cross Appraisals breached this duty of care by failing to give notice of the following conditions:

(a) Signs of water seepage in the basement along the foundation;

(b) Signs of extreme heaving in the basement along the foundation and on the concrete floor slab; and

(c) That the exterior grading sloped back towards the basement foundation such that water would drain in this direction.

24. Primewest further states that Cross Appraisals breached its duty of care by failing to give notice to Primewest that the Property should be inspected by a structural engineer given the aforementioned defects.

25. Primewest states that it would not have entered into the mortgage commitment with Kidwai and Zaidi had it known about the true condition of the Property.

26. Primewest states that it has suffered damages as a result of Cross Appraisals' breach of contract and/or negligence, with such damages in the amount of $195,000.

**Anindo and Power Mortgage**

27. Primewest states that at all material times Anindo as mortgage broker owed a duty of care to Primewest to ensure that the information contained in mortgage applications submitted to Primewest are accurate, knowing that such information would be relied upon by Primewest in assessing whether to grant a mortgage.

28. Primewest states that Anindo was negligent in that he submitted the mortgage application on behalf of Kidwai and Zaidi which contained representations that Anindo either knew were false, or alternatively that Anindo was negligent in that he failed to take sufficient efforts to confirm the truthfulness of representations made in the mortgage application, such representations being:

(a) That Kidwai and Zaidi had no other financing obligations at the time of completing the mortgage application;

(b) That upon purchasing of the Property, Kidwai and Zaidi would no longer be continuing to rent the 7th Avenue Property;

(c) That Kidwai and Zaidi would reside in the Property as their primary residence; and

(d) That Kidwai and Zaidi's monthly expenses, following the purchase of the Property, would not include payments made towards the rent/purchase of other real properties.

29. Primewest states that as a result of Anindo's negligence, it has suffered damages in the amount of $195,000.

30. Primewest states that Power Mortgage was at all materials times the employer of Anindo and as such Power Mortgage is vicariously liable for Anindo's aforementioned negligence.

**Request for Relief**

31. Primewest therefore claims as against the Defendants:

(a) Judgment in the amount of $195,000;

(b) In the alternative, Judgment in an amount to be proven at trial;

(c) Pre-judgment interest;

(d) Costs; and

(e) Such further and other relief as counsel may advise and this Honourable Court shall allow.

DATED at Regina, Saskatchewan, this 17th day of July, 2017.

OLIVE WALLER ZINKHAN & WALLER LLP

Per: _____
Lawyers of Record for the Plaintiff

CONTACT INFORMATION AND ADDRESS FOR SERVICE

| | |
|---|---|
| Name of firm: | Olive Waller Zinkhan & Waller LLP |
| Name of lawyer in charge of file: | Virgil A. Thomson |
| Address of legal firm: | 1000 - 2002 Victoria Avenue<br>Regina, SK S4P 0R7 |
| Telephone number: | 306-359-1888 |
| Fax number: | 306-352-0771 |
| Email address: | vthomson@owzw.com |