

COURT FILE NUMBER	1455 of 2019
COURT	COURT OF QUEEN'S BENCH FOR SASKATCHEWAN
JUDICIAL CENTRE	SASKATOON
APPLICANTS	IN THE MATTER OF SECTION 204 OF <i>THE BUSINESS CORPORATIONS ACT</i>, RSS 1978, c B-10 AND IN THE MATTER OF THE VOLUNTARY LIQUIDATION AND DISSOLUTION OF PRIMEWEST MORTGAGE INVESTMENT CORPORATION
DOCUMENT	THIRD REPORT OF THE LIQUIDATOR NOVEMBER 3, 2022
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	LIQUIDATOR KPMG Inc. Suite 3100, Bow Valley Square II 205 - 5th Ave SW Calgary, Alberta T2P 4B9 Neil Honess/Joe Sitholé Tel: (403) 691-8014/(403) 691-8070 neilhoness@kpmg.ca jsithole@kpmg.ca COUNSEL W Law LLP 1100 - 122 1 st Avenue South Saskatoon, Saskatchewan S7K 7E5 Mike Russell/Nicholas Conlon Tel: (306) 244-2242 mrussell@wlaw.com nconlon@wlaw.com

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1. INTRODUCTION AND PURPOSE OF REPORT

1. PrimeWest Mortgage Investment Corporation (“**PrimeWest**” or the “**Corporation**”) was incorporated under *The Business Corporations Act*, RSS 1978, c B-10 (the “**Act**”) on March 22, 2005, and commenced operations in October of 2005 as a Mortgage Investment Corporation.
2. The Corporation provided lending on security of mortgages on real properties situated in Saskatchewan, Manitoba and Alberta. The mortgages transacted by the Corporation did not generally meet the underwriting criteria of conventional lenders. As a result, the Corporation’s investments were subject to a greater risk and accordingly earned a higher rate of interest than is typical with conventional mortgage lending activities.
3. In June of 2016, the contract of the then-President and CEO of the Corporation, Mr. Don Zealand (“**Zealand**”), was terminated, and an interim CEO was engaged, effective August of 2016. Subsequently, an in-depth review of the Corporation’s portfolio was performed, which included updated appraisals of properties on which the Corporation’s loans were secured (the “**Portfolio Review**”).
4. The Portfolio Review revealed that a number of mortgage loans were under-secured and non-compliant with the Corporation’s lending guidelines and policies. As a result, the Corporation was required to increase its loan loss provision by over \$4 million for the year and suspend payment of dividends to shareholders for the first time in its history.
5. The interim CEO subsequently resigned in May of 2017 and was replaced by the Corporation’s CFO.
6. In response to the Portfolio Review, in October of 2017, the Corporation filed a Statement of Claim against Zealand, claiming a breach of the Corporation’s corporate policy, gross negligence and breach of fiduciary duty while he was President and CEO (the “**Zealand Action**”). Zealand denies all the allegations and has filed a counterclaim against the Corporation for wrongful dismissal. A defence to the counterclaim has been filed by the Corporation’s solicitors.
7. Throughout 2017 and 2018, the Corporation initiated a number of steps to attempt to improve its financial position, including extensive cost cutting, initiation of foreclosure proceedings on non-performing mortgage loans and pursuit of new investments and capital into the Corporation.

8. Such efforts did not result in significant financial improvement and, in June of 2018, the Corporation sought to sell its entire portfolio of assets. No acceptable proposals were received, culminating in the engagement of KPMG Inc. (“**KPMG**”) by the board of directors on or about May 29, 2019, to evaluate potential strategies for the Corporation.
9. Following KPMG’s analysis and recommendations, the Corporation determined that an orderly liquidation pursuant to Section 204 of the Act would be the most effective means of winding up the Corporation.
10. On September 24, 2019, at an annual and special meeting of the shareholders of the Corporation, a detailed liquidation plan was presented to and approved by the shareholders (the “**Liquidation Plan**”).
11. The Liquidation Plan provides a mechanism to:
 - a) cease operations in an efficient and definitive manner;
 - b) safeguard the current assets of the Corporation and move to realize them in due course;
 - c) establish a claims process by which to address all Claims in a timely and cost-effective manner; and
 - d) make distributions to creditors and, in the event of there being remaining equity, to shareholders in as expedited and equitable a manner as possible.
12. The voluntary liquidation and windup of the Corporation commenced effective October 24, 2019 (the “**Effective Date**”), at 5:00PM CST. At that time, all powers of the Corporation’s directors ceased and the directors were deemed to have resigned. KPMG was appointed as liquidator (the “**Liquidator**”).
13. On October 31, 2019, the Court of Queen’s Bench for Saskatoon (the “**Court**”) issued an order (the “**Order**”) approving the Liquidation Plan and affirming the appointment of KPMG as Liquidator. The Order further appointed former directors of PrimeWest, Tom Robinson, Wilson Olive, Francis Bast and Tom Archibald, as inspectors of the Corporation’s liquidation (collectively, the “**Inspectors**”).
14. On December 18, 2019, the Liquidator filed its first report (the “**First Report**”), which described, among other things:
 - a) the Company’s primary assets and liabilities;

- b) the Liquidator's activities to date;
 - c) the Company's interim receipts and disbursements from October 31, 2019, to December 20, 2019; and
 - d) the Liquidator's proposed claims process for the identification, resolution and barring of claims (the "**Claims Process**").
15. On January 10, 2020, the Court issued an order (the "**Claims Process Order**") approving the Claims Process.
16. On November 19, 2020, the Liquidator filed its second report (the "**Second Report**"), which described, among other things:
- a) the activities of the Liquidator since the First Report;
 - b) an update on the Claims Process and resolution of outstanding claims; and
 - c) the Liquidator's interim statement of receipts and disbursements from October 31, 2019 to November 13, 2020.
17. This is the Liquidator's third report (the "**Third Report**") to the Court. This Third Report has been prepared to provide an update to the Court in respect of the Liquidator's interim statement of receipts and disbursements from October 31, 2019 to October 14, 2022, as required by the Order.
18. Further background and information regarding the Corporation and these liquidation proceedings, including periodic updates to stakeholders of the Corporation and copies of the Order and the Liquidation Plan, which forms Schedule "A" thereto, can be found on the Liquidator's website at <https://home.kpmg/ca/primewest> (the "**Liquidator's Website**").

19. In preparing this Third Report and making the comments herein, the Liquidator has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, Corporation records, Corporation-prepared financial information and projections, discussions with management (“**Management**”) and employees, and information from other third party sources (collectively, the “**Information**”).
20. The Liquidator has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Liquidator has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the *Chartered Professional Accountants Handbook*, and accordingly the Liquidator expresses no opinion or other form of assurance in respect of the Information.
21. Some information referred to in this Third Report may consist of forecasts and projections, which were prepared based on Management’s estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and as a consequence no assurance can be provided regarding the forecasted or projected results. The reader is cautioned that the actual results will likely vary from the forecasts or projections, even if the assumptions materialize, and the variations could be significant.
22. The information contained in this Third Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Corporation.
23. Capitalized terms not otherwise defined herein are as defined in the Order, the Liquidation Plan or the First Report. This Third Report should be read in conjunction with the materials posted on the Liquidator’s Website, as certain information has not been included herein to avoid unnecessary duplication.
24. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

2. INTERIM RECEIPTS AND DISBURSEMENTS

25. Below is the Liquidator's interim statement of receipts and disbursements for the period October 31, 2019, to October 14, 2022 (the "SRD").

Interim Statement of Receipts and Disbursements	
October 31, 2019 to October 14, 2022	
	Amount (CAD \$)
Cash Receipts	
Asset sale proceeds	3,823,195
Opening balance	1,775,312
Mortgage collections	605,446
Other collections	219,922
Interest	39,710
Total cash receipts	6,463,585
Disbursements	
Liquidator's fees	506,208
Legal fees for PrimeWest	231,967
Liquidator's counsel fees	342,913
Payroll, wages and contractors	320,187
GST PST and municipal taxes paid	187,987
Commission	147,095
Inspector fees	103,000
Insurance	28,827
Miscellaneous	28,307
Consulting	19,047
Rent	8,400
Utilities	3,804
Security	4,679
Bank fees	3,317
Storage	3,960
Advertising	3,029
Total disbursements	1,942,727
Excess receipts over disbursements	4,520,858

26. Receipts relate primarily to the refinancing of the Corporation's mortgage receivables by other financial institutions, as well as regular payments made by customers in the Corporation's current mortgage portfolio.
27. The disbursements during the Liquidation period have primarily related to the ongoing proceedings by the Corporation, as well as costs related to head office activities such as rent and utilities, payroll, software and so forth.

28. All remaining mortgage and loan balances have been collected upon, settled or deemed to be uncollectible. The Liquidator does not anticipate any significant future receipts.
29. The Liquidator anticipates future disbursements required for the administration of the Liquidation to consist mainly of:
 - a) contractor payments;
 - b) remuneration of Inspectors;
 - c) fees and disbursements of the Liquidator and its counsel; and
 - d) legal costs related to ongoing proceedings by the Corporation.

This Report is respectfully submitted this 3rd day of November, 2022.

KPMG Inc.

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

A handwritten signature in blue ink, appearing to read "Neil Honess", is written over the typed name below.

Per: Neil Honess
Senior Vice President