



**COURT FILE NUMBER** 25-1890619 and 25-1890623  
**COURT** COURT OF QUEEN'S BENCH OF ALBERTA  
**JUDICIAL CENTRE** CALGARY  
**DOCUMENT** THE FOURTH REPORT OF THE TRUSTEE OF THE  
ESTATES OF TRIMOR MORTGAGE INVESTMENT  
CORPORATION AND TRIMOR EQUITY CORPORATION

**DATED JULY 24, 2018**

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# Introduction and background

## Introduction

1. Trimor Mortgage Investment Corporation (“TMIC”) was incorporated under the laws of the Province of Alberta on February 7, 2005. TMIC is a mortgage investment corporation (“MIC”) which raised funds from investors, referred to as the “Shareholders”, and invested these funds in various real estate mortgages located in Alberta and Saskatchewan.
2. Trimor Equity Corporation (“TEC”) was incorporated under the laws of the Province of Alberta on March 15, 2004. The Trustee (defined below) understands that TEC was incorporated in order to hold properties in trust for TMIC as evidenced in a Declaration of Bare Trust Agreement between TMIC and TEC (the “Trust Agreement”) for certain properties. TMIC and TEC are referred to collectively as the “Companies” and the directors were Jim Irvine and Randy Smyth (the “Directors”).
3. The Companies experienced financial difficulty as a result of the non-performance of several mortgages and the decline in values of certain real estate properties. As a result of these difficulties, the Directors assigned the Companies into bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (“BIA”) on July 15, 2014 (the “Date of Bankruptcy”), and Deloitte Restructuring Inc. (“Deloitte”) was appointed as the Trustee (the “Trustee”) of the bankrupt estates (the “Estates”).
4. At the Date of Bankruptcy, the Trustee had limited information and understood that TMIC had approximately \$15.5 million in debt owing to various secured creditors, unsecured creditors and Shareholders, while TEC had approximately \$47,000 in debt owing to various unsecured creditors. The Trustee discovered subsequently that TEC owned two properties pursuant to the Trust Agreement and there was approximately \$1.9 million in total secured mortgage debts and liens owing against these properties. .
5. At the joint first meeting of creditors held for the Companies on August 7, 2014, there was no quorum present for TEC and no inspectors were appointed for TEC. However, there was a quorum present for TMIC and five inspectors were appointed to the estate of TMIC (the “Inspectors”).
6. Information on the bankruptcy proceedings can be accessed on the website of Deloitte located at [www.insolvencies.deloitte.ca](http://www.insolvencies.deloitte.ca).

## Notice to Reader

7. This report constitutes the fourth report of the Trustee (this “Report” or the “Fourth Report”). The Fourth Report should be read in conjunction with the first report of the Trustee dated September 24, 2014 (the “First Report”), the second report of the Trustee dated November 7, 2014 (the “Second

Report”) and the third report of the Trustee dated June 24, 2016 (the “Third Report”). A confidential supplement to the Second Report dated November 7, 2014 (the “Confidential Report”) was also prepared by the Trustee. Terms not defined in this Report are defined in the First Report, Second Report or Third Report.

8. In preparing this Report, the Trustee has relied on unaudited financial information, the books and records of the Companies and discussions with interested parties and stakeholders. The Trustee has not performed an independent review or audit of the information provided.
9. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this Report.
10. All amounts are in Canadian dollars, unless otherwise indicated.

## Background

11. The First Report provided details of the claims (the “Fox Claims”) filed by Robert Fox et al (the “Fox Group”) for approximately \$272,000 and the background around the \$226,000 paid into Court by TMIC as a result of the default judgment, writ of enforcement and garnishee summons that was obtained by the Fox Group in relation to the Fox Claims. The First Report also detailed the steps taken by the Trustee to disallow the Fox Claims and outlined the Trustee’s position that the Fox Claims filed against TMIC were rejected and should be considered in the same manner as the claims filed by the other Shareholders of TMIC, regardless of the default judgement obtained by the Fox Group.
12. The Second Report provided an update on the Estates, including details around the assets and the litigation with the Fox Group. The Second Report also provided details around the sale process and sale terms related to the Calgary Property along with the non-confidential terms and conditions related to the settlement of the Brooks Mortgage.
13. The Confidential Report included a copy of the appraisal of the Brooks Property by Linnel Taylor Lipman & Associates Ltd., along with an analysis completed by Deloitte Real Estate, and provided more details of the Brooks Mortgage settlement and requested a Court Order be granted sealing the Confidential Report.
14. Pursuant to the Second Report and the Confidential Report, the Court issued an order on November 13, 2014 approving the sale of the Calgary Property, nunc pro tunc, and approving the settlement of the Brooks Mortgage (the “Sale Approval Order”). The Court also issued an order on November 13, 2014 approving the sealing of the Confidential Report.
15. The Third Report provided an update on the Estates, including details around the assets and the litigation with the Fox Group and others, as well as details of the creditor claims and the proposed reverse claims process for the Shareholders (the “Shareholder Claims Process”).
16. Pursuant to the Third Report, the Court issued an order on June 30, 2016 approving the implementation by the Trustee of the Shareholder Claims Process (the “Shareholder Claims Process Order”).

## Purpose of this Report

17. The purpose of this Report is to support an application by the Trustee, with the support and approval of the Inspectors, to have this Honourable Court approve the following:
  - 17.1 That the Trustee's final statement of receipts and disbursements and final dividend sheet for the Companies (the "Final SRD") be allowed to be presented on a consolidated basis for the Companies;
  - 17.2 That the Trustee's final accounts, fees, and costs, as approved by the Inspectors be allowed to be presented and taxed on a consolidated basis for the Companies; and
  - 17.3 The fees and disbursements of McLennan Ross LLP, legal counsel for the Trustee (the "Trustee's Counsel"), as approved by the Trustee and the Inspectors, be allowed to be presented and taxed on a consolidated basis for the Companies.

# Status of the Bankruptcies

18. The Trustee has essentially concluded its administration of the Estates of the Companies as follows:
  - 18.1 Realized on all assets of the Companies with the exception of an ongoing lawsuit against BMG Financial Services Corp. (the “BMG Lawsuit”);
  - 18.2 Redeemed the security and paid the secured claims filed against the Companies in full for approximately \$1.9 million;
  - 18.3 Paid out the unsecured creditor claims filed against the Companies in full for approximately \$73,000; and
  - 18.4 Pursuant to the Shareholder Claims Process Order, made two interim distributions to the Shareholders for approximately \$3.7 million, or approximately 28.5% of their total claims.
19. As part of its administration, the Trustee has held seventeen Inspector’s meetings to obtain the various approvals required to sell assets, pay creditors and otherwise administer the Estates. The Trustee has also provided three separate reports to the Shareholders to keep them informed of the bankruptcy proceedings.
20. The only remaining tasks of the Trustee are to realize on the BMG Lawsuit, distribute any remaining funds to the Shareholders, hold a final Inspector’s meeting, and obtain its discharge.
21. The detailed receipts and disbursements for the Estates are included in the Consolidated Interim Statement of Receipts and Disbursements for the Period from July 15, 2014 to July 23, 2018 that is attached to this Report as Appendix “1”.

# Consolidation of the Estates

22. The Trustee submits that, based on its understanding of the facts, the consolidation of the Estates in the Final SRD, along with the consolidation of the professional fees and costs, is warranted for the following reasons:
  - 22.1 TEC, pursuant to the Trust Agreement, was solely incorporated in order to hold properties in trust for TMIC and the Shareholders.
  - 22.2 TMIC was set up as a MIC in order for the Shareholders to be entitled to special tax treatment under the *Income Tax Act (Canada)* (the "Act") for MICs. A MIC must be a Canadian corporation and its only undertaking must be the investing of its funds. MICs are specifically prohibited from managing or developing real property as these activities could jeopardize the MICs special tax treatment under the Act. TEC was set up for situations where TMIC had to foreclose on mortgages and could not take title to the properties (and jeopardize its special tax treatment) other than transferring them to TEC in trust pursuant to the Trust Agreement.
  - 22.3 TMIC and TEC did have different assets and liabilities, but there is no benefit in allocating the bankruptcy receipts and fees and costs amongst the Companies as the unsecured creditors in each of the Companies were paid in full and the ultimate beneficiary of the net proceeds, after payment of the professional fees and costs, is the Shareholders.
  - 22.4 Providing separate statements of receipts and disbursements and billings by TEC and TMIC will not result in any net benefit and will incur needless additional time and costs as the net proceeds will be paid to the Shareholders in any event.
  - 22.5 The Inspectors are in agreement with and have approved the Trustee making the application to consolidate the Estates in the Final SRD.

# Conclusion and Recommendations

23. Based on the foregoing, the Trustee respectfully recommends that this Honourable Court grant the relief detailed in Paragraph 17 of this Report.
24. If the relief set out in this Report is granted, the Trustee will proceed to have the Final SRD and its professional fees and costs, and the professional fees and costs of the Trustee's Counsel, reviewed by the Office of the Superintendent of Bankruptcy and taxed by Court on a consolidated basis in the normal course.

**DELOITTE RESTRUCTURING INC.,**

In its capacity as Trustee of the Estates of  
Trimor Mortgage Investment Corporation and  
Trimor Equity Corporation and not in its  
personal or corporate capacity.



Jeff Keeble CPA, CA, CIRP, LIT, CBV  
Senior Vice-President



# Appendix 1 -

Consolidated Interim Statement of Receipts and Disbursements for the Period from July 15, 2014 to July 23, 2018

<b>Tramor Equity Corporation and Tramor Mortgage Invesmtnet Corporation - in Bankruptcy</b>	
<b>Consolidated Interim Statement of Receipts &amp; Disbursements</b>	
<b>For the period July 15, 2014 to July 23, 2018</b>	
	Amount
<b>Cash Receipts</b>	
Gross proceeds from sale of Lake Newell lots	\$ 2,055,835
Gross proceeds from sale of Calgary 1st Street Property	2,450,000
Gross proceeds from sale of Bearspaw property - 50 acre parcel	1,035,000
Gross proceeds from sale of Bearspaw property - 10 acre parcel	980,952
Receipt of mortgage payouts	471,156
Recovery of TMIC funds paid into Court	226,022
Rental income re: Bearspaw property	63,000
Interest income from vendor take-back mortgage on Calgary 1st Street Property	55,000
Advance from Deloitte LLP for Bearspaw mortgage interest	15,055
GST collected on sale of Lake Newell lots	8,250
Cash in bank at date of Bankruptcy	6,942
Lake Newell property tax refund	4,175
Recovery of legal fees on Calgary 1st Street Property mortgage extension	1,480
Interest income on trust funds and misc. refund	2,785
<b>Total cash receipts</b>	<b>7,375,653</b>
<b>Cash Disbursements</b>	
Trustee's fees to April 20, 2018	339,423
Trustee's legal fees and costs to February 25, 2018	332,417
Property taxes on Lake Newell property	243,141
Auctioneer fees and commissions on Lake Newell lots	241,250
Realtor commissions on 1st Street Property	102,900
Mortgage interest on Bearspaw Property	90,055
Repairs, maintenance and renovation costs for the Bearspaw Property	85,502
Realtor commissions on Bearspaw Property	68,405
Bearspaw property subdivision costs	60,702
Net GST paid on disbursements	54,003
Property Taxes for Lake Newell Property	32,902
Property Taxes for 1st Street Property	31,834
Westcor lien settlement	30,000
Insurance	29,619
Payment to secured creditor re: mortgage on Calgary 1st Street Property	18,631
Property taxes on Bearspaw property	9,983
Real property report and survey and subdivision consultants	9,876
Subdivision consultant for Lake Newell	4,460
Real Estate consultation on Lake Newell	5,783
Appraisal fees	3,562
Newspaper Advertisement (claims process)	3,548
Utilities	3,315
Repairs and maintenance on Bearspaw Property	2,601
Filing fees	300
Miscellaneous disbursements	390
Mail redirection costs	231
Newspaper advertising	216
Change of locks	288
Dividends paid to unsecured creditors, net of levy	68,941
Office of the Superintendent of Bankruptcy levy on dividends	3,628
Redemption of first mortgage on Bearspaw Property	1,000,000
Redemption of first mortgage on 1st Street Property	752,325
First interim distribution to preferred shareholders	1,750,000
Second interim distribution to preferred shareholders	1,924,181
<b>Total cash disbursements</b>	<b>7,304,414</b>
<b>Excess of Cash Receipts over Cash Disbursements</b>	<b>\$ 71,239</b>