

DISTRICT OF ALBERTA
DIVISION: 02 – CALGARY
COURT/ ESTATE #: 25-1890619 and 25-1890623

IN THE MATTER OF THE BANKRUPTCIES OF
TRIMOR MORTGAGE INVESTMENT CORPORATION
AND
TRIMOR EQUITY CORPORATION

DELOITTE RESTRUCTURING INC., TRUSTEE

MINUTES OF THE FIRST MEETING OF CREDITORS

First meeting of creditors for Trimor Mortgage Investment Corporation ("TMIC") and Timor Equity Corporation ("TEC", collectively the "Companies") held at the offices of Deloitte Restructuring Inc. located at 700, 850 – 2 St. SW. Calgary, Alberta at 10:00 am.

Chairperson: Jeff Keeble - Trustee

Trustee: Deloitte Restructuring Inc. (Jeff Keeble)

Trustee's Legal Counsel: Jamie Flanagan, McLennan Ross LLP

Debtors: The debtors were represented by Randy Smyth and Jim Irvine, the two remaining Directors of the Companies.

Present: Per attached Attendance List.

Attachments: Attendance List and Trustee's Preliminary Reports for TMIC and TEC.

CALL TO ORDER:

The Chairperson called the meeting to order at 10:10 am, proceeded with the necessary introductions and informed the meeting of the Chairperson's authority provided by the Section 105.(1) of the *Bankruptcy and Insolvency Act* (the "BIA").

The Chairperson informed the creditors and/or preferred shareholders (the "Creditors") present that the purpose of the first meeting of creditors ("FMOC") was as follows:

- To consider the affairs of the bankrupt Companies;
- To affirm the appointment of the Trustee or substitute another in place thereof;
- To appoint inspectors; and
- To give such directions to the Trustee as the Creditors see fit with respect to the administration of the estates.

QUORUM AND CALLING OF MEETING:

The Chairperson advised that there was a quorum present for TMIC as Creditors were present that were entitled to vote, however, there was not a quorum for TEC as no valid claims had been filed against TEC. As a result, the Chairman advised that the Trustee's appointment for TEC was deemed confirmed and that the TEC FMOC would be adjourned generally. However, the FMOC for TMIC was to continue in the normal course.

The Chairperson advised that since the FMOC for TMIC and TEC had been properly called, notices of the bankruptcy and FMOC for TMIC (the "TMIC Notice") and TEC (the "TEC Notice" collectively, the "Notices") were mailed, and Notices were advertised in the paper, that the FMOC for TMIC was properly constituted. The following discussion then ensued.

1. Laura Snowball (Counsel for Robert Fox et al.)
 - Requested that the meeting be adjourned as the Trustee had failed to attach a creditor listing to the Notices as required by statute and the Statement of Affairs ("SOA") did not include this information either.

Jamie Flanagan (Trustee's counsel)

- Commented that the meeting would proceed as the Trustee had fulfilled its duties under the BIA as the Notices were sent to all known creditors (based on the information available at the time the notices were required to be sent) and an advertisement was placed in the newspaper to inform any other parties that may not have been notified by mail.

2. Kirk Hygard (Shareholder)
 - Noted that a lot of people, including himself, did not receive the Notices and that the meeting should not move forward. Mr. Hygard asked why didn't the Trustee have an organized list prior to sending the Notices out?

Jeff Keeble

- Noted that BMG, the manager for the Companies, did not provide the Trustee with a current listing of the creditors of the Companies and the Trustee had to rely on an old list obtained from the books and records of the Companies.

3. Howard Ames (White Rain Corporation)
 - Requested that meeting should not proceed for the same reason as Ms. Snowball cited. Mr. Ames also indicated that the Trustee received an updated list from the electronic books and records provided by BMG and that the Trustee was not prepared to act on the list and BMG should not be blamed.

Jamie Flanagan

- Noted that the notice requirements had been met by the Trustee based on the information available and, therefore, the meeting would proceed.

Note: Subsequent to the FMOC, the Trustee reconciled its mailing list, which was based on Investor Statements dated August 31, 2013 (the "Trustee's Mailing List"), to an electronic copy

of a TMIC Shareholder List as of November 2013 that was last saved on January 30, 2014 (the "BMG Mailing List"), and noted the following:

- There were a total of 183 Creditors listed on the BMG Mailing List with claims totaling approximately \$13.9 million.
- Only one (1) of the Creditors on the BMG Mailing List was not sent the TMIC Notice by the Trustee either directly or through Olympia Trust Company ("OTC") or Canadian Western Trust ("CWT", collectively, the "Agents") and three (3) of the addresses for the Creditors were different on the Trustee's Mailing List compared to the BMG Mailing List.
- 101 of the Creditors with claims totaling approximately \$10.0 million, or 72% of the total claims in the BMG Mailing List, were sent the TMIC Notice by the Trustee either directly or directly and through the Agents.
- 78 of the Creditors with claims totaling \$3.6 million, or 26% of the total claims in the BMG Mailing List, were sent the TMIC Notice by the Trustee through the Agents. The Trustee's Mailing List, which was based on Investor Statements, included the addresses of the Agents and not the individual addresses of the Creditors and the Trustee relied on the fact that the Agents would forward the TMIC Notice to the respective Creditors. CWT has confirmed that the six (6) Notices sent to them were forwarded to the respective Creditors on July 31, 2014. OTC also confirmed receipt of the Notices, but did not forward the Notices to the Creditors as OTC indicated that there were no specific instructions provided with the Notices.

DOCUMENTS TABLED:

The following documents were tabled at the meeting:

- The Certificates of Appointment by the Official Receiver for each of the Companies;
- Sworn Statement of Affairs for the Companies;
- Proof of Service of the Notice of Bankruptcy and First Meeting of Creditors for TMIC and TEC sent on July 21, 2014;
- Proof of advertisement in the Calgary Herald on July 24, 2014; and
- The Trustee's Preliminary Reports for the Companies.

TRUSTEE'S PRELIMINARY REPORT AND QUESTIONS:

The Chairperson presented the Trustee's Preliminary Report for TMIC (the "Trustee's Report") and added any additional comments for TEC. Copies of both reports are attached to these minutes. The Chairperson then stated that there would be a question period and opened the floor to questions.

A summary of the comments, questions and responses are as follows:

1. Jeff Keeble
 - Noted that the original closing date of the Calgary Property was July 16, 2014 as opposed to July 15, 2014 and that details of the pending sale of the Calgary Property cannot be disclosed to the Creditors as the Trustee does not want to compromise a future sales process if the transaction did not proceed. Details will be discussed with the Estate inspectors.

2. Don Friesen (Shareholder)
 - Noted that the Bearspaw Property is actually only 67 acres and not 160 acres as outlined in the Trustee's Report.
3. Jamie Flanagan
 - Clarified that TEC took title to the two Properties upon foreclosure and that the original mortgages were from 2007 and were in the name of TEC. Mr. Flanagan confirmed that TMIC could not hold title to properties as a mortgage investment corporation, but TEC had the original mortgages on these loans and the Trustee was still trying to locate any supporting trust documents or agreements.
4. Laura Snowball
 - Commented that in her view there was no ongoing Fox Litigation as the default judgement had been obtained and the funds were garnished.

Jamie Flanagan

- Responded that in his view the Fox Litigation was ongoing as the garnished funds cannot be used by the Trustee without further direction from the Court due to a potential application by Mr. Fox to annul the bankruptcies.

Laura Snowball

- Disagreed and indicated that the litigation was completed and that there was no ongoing lawsuit at the hands of her client, Mr. Fox.

4. Larry Negrave (Shareholder)
 - Asked if Mr. Flanagan was at liberty to discuss the Fox Litigation?

Jamie Flanagan

- Answered that the Fox Litigation is a matter of public record and that he had the Court documents available for review after the meeting.

Laura Snowball

- Commented that she was counsel for Mr. Fox and was available to discuss the litigation with Mr. Negrave after the meeting.

Larry Negrave

- Asked if the other shareholders could commence actions similar to the Fox Litigation?

Jamie Flanagan

- Responded that TMIC and TEC are in bankruptcy and that there is a stay of proceedings in place where a party would need to obtain leave of the Court to continue or start any legal actions against the Companies.

5. Larry Negrave
 - Asked for the current status of the complaint filed with the Institute of Chartered Accounts of Alberta ("ICAA") by the Companies as against the former auditors and if there was any monetary benefit expected?

Jeff Keeble

- Responded that the Trustee had just recently obtained the most recent correspondence sent to the ICAA dated June 2014 and needed to review this correspondence and other related documents in more detail. Mr. Keeble added that the Trustee would discuss this issue further with the inspectors and look at the pros and cons of pursuing the matter further.

6. Larry Negrave

- Asked if BMG and the Bernhardt's had a conflict of interest being the investment fund manager and preferred shareholders of TMIC?

Jeff Keeble

- Responded that this would be reviewed in more detail.

Jim Irvine

- Commented that he was not aware of Bernhardt's being preferred shareholders as they were only common shareholders of TMIC and TEC.

7. Don Friesen – (Shareholder)

- Commented that he had several issues and concerns with some of the management fees and other costs incurred by the Companies over the past several years and that these should be investigated further to see if the costs could be recovered from the various parties. Mr. Friesen also added that the auditors appeared to have possibly made mistakes and this should be reviewed further. He also indicated that the Creditors should support the Trustee and provide any information they may have that would assist.

Jeff Keeble

- Responded that these issues would be discussed further with the inspectors.

Mark Bilocerkowek (Shareholder)

- Asked Mr. Friesen if he had considered a criminal investigation regarding his concerns?

Don Friesen

- Responded that he has considered a criminal investigation, but that no steps had yet to be taken.

Kirk Hygard

- Commented that if the auditors were not doing things properly and investors made decisions based on inaccurate financial information, then the auditors should be held accountable.

Cliff Swan

- Commented that the insurance and other assets of the parties mentioned should be reviewed to ensure there are potential assets to recover if the pursuits are successful.

8. Howard Ames

- Confirmed with Randy Smyth that he swore the SOA and asked if reviewed any bank statements for the Companies prior to swearing the SOA? Mr. Ames also asked what happened to the "details to follow" on the SOA, if Mr. Smyth was a signing authority on the bank account and where did he get the values for the properties and assets?

Randy Smyth

- Responded that SOA was sworn to the best of his knowledge and belief of the facts at the time. Mr. Smyth indicated that he was not a signing authority on the bank account and that he was not provided with a current bank statement. Mr. Smyth added that he could not compel BMG to provide him with any information and that he had a paper trail of the numerous requests sent by himself and the other Director to BMG for this and other information. In terms of values, the Directors based this on discussions with BMG and the current market conditions.

Jeff Keeble

- Added that the Trustee was hoping for more cooperation and information from BMG in order to include more current information in the SOA, but the information provided was dated. Mr. Keeble added that the SOA was based mainly on the December 2013 financial statements for TMIC and the October 2013 financial statements for TEC along with several BMG reports previously sent to the Creditors and verbal representations obtained by the Directors from BMG.

Howard Ames

- Asked if the Creditors would have access to the information provided by BMG?

Jamie Flanagan

- Responded that generally the Creditors do not receive access to the books and records of bankrupt companies, but that this information would be made available to the inspectors.

AFFIRMATION OF TRUSTEE'S APPOINTMENT:

On a duly proposed and seconded motion, the creditors unanimously affirmed the appointment of Deloitte Restructuring Inc., as Trustee of the bankrupt estates of the Companies.

APPOINTMENT OF INSPECTORS

The Chairperson commented as follows in regards to the role, duties and eligibility requirements of inspectors:

-The inspectors are appointed as representatives of all creditors and occupy positions of trust. They are expected to assist the Trustee by virtue of their experience and are required to supervise certain aspects of the trustee's administration, approve sales of assets, provide directions to the Trustee, approve trustee's fees, etc.

- Up to a maximum of 5 inspectors can be appointed.

- no person who is party to any contested action or proceedings by or against the estate of the bankrupt may act as an inspector.

The Chairperson then called for the nomination of inspector candidates and the following discussion took place after Howard Ames volunteered to be an inspector.

James Flanagan

- Indicated that Mr. Ames was a party to a contested action as against TMIC and was not eligible to be an inspector in the Bankruptcy.

Laura Snowball

- Stated that there was no contested action at this time and that an application to annul the Bankruptcy has nothing to do with the Company.

Jamie Flanagan

- Commented that if Mr. Ames was going to be a party to a contested action, it is his opinion that Mr. Ames is not eligible. Mr. Flanagan added that if Ms. Snowball could confirm that there would be no application, then he could be allowed to be an inspector.

Laura Snowball

- Responded that there is no application to annul the Bankruptcy until there is one and right now there is none, but that she was not going to confirm that there wouldn't be one in the future. She asked that since not all the Creditors were aware of the bankruptcy and the FMOC, would the Trustee be prepared to re-visit the appointment of inspectors?

Jamie Flanagan

- Indicated that the Creditors have the right to call another meeting of creditors pursuant to the requirements of the BIA and that the complement of inspectors could be revisited at that meeting.

Howard Ames

- Stated that Jim Irvine should not be an inspector as there is a potential conflict of interest with his role as a Director.

Jeff Keeble

- Commented that there is a benefit to having Mr. Irvine as an inspector as he has a lot of knowledge and background on the Companies and can provide good insight. Mr. Keeble added that if there are any situations where Mr. Irvine may have a conflict due to his past role as a director, then Mr. Irvine would be excluded from the discussions and any decisions that were made around those issues.

On a duly proposed and seconded motion, the creditors, by unanimous resolution, resolved to appoint the following persons to act as inspectors for the bankrupt estates of the Companies:

- Kevin Kelly
- Cliff Swan
- Don Friesen

- Jim Irvine
- Elizabeth Bouillet

CREDITORS' INSTRUCTIONS

The Chairperson asked if there were any further instructions from the Creditors in regards to the administration of the bankruptcy.

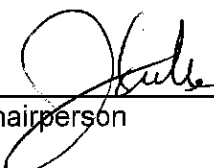
1. Howard Ames
 - Requested that the Trustee determine where the approximate \$25,000 in funds were spent that were released from Court in relation to the Fox Litigation.

Jeff Keeble

- Responded that the Trustee was following up on the use of these funds.

ADJOURNMENT

There being no further business, the meeting, with the unanimous consent of the Creditors was adjourned at 11:25 am. The Chairperson asked that the inspectors stay behind to attend an Inspectors' meeting.



Chairperson

CANADA
Province of Alberta

District of Alberta
Division of 02 - Calgary
Court No. 25-1890619
Estate No. 25-1890619

TRUSTEE'S PRELIMINARY REPORT

IN THE MATTER OF THE BANKRUPTCY OF

TRIMOR MORTGAGE INVESTMENT CORPORATION

Formerly carrying on business in the City of Calgary in the Province of Alberta

Trustee: Deloitte Restructuring Inc.

Introduction

Trimor Mortgage Investment Corporation ("TMIC" or the "Company") was incorporated under the laws of the Province of Alberta on February 7, 2005. The common shareholders of the Company are Jim Irvine, Art Visser, Chris Beadle, Nathan Bernhardt and Barry Bernhardt, with each owning 20% of the outstanding common shares. The directors of the TMIC are Randy Smyth and Jim Irvine (the "Directors"). TMIC is a mortgage investment corporation which raised funds from investors, referred to as the "Preferred Shareholders", and invested these funds in various real estate properties and mortgages located in Alberta and Saskatchewan.

The Company 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 Company into bankruptcy pursuant to the *Bankruptcy and Insolvency Act* ("BIA") on July 15, 2014 (the "Date of Bankruptcy"), and Deloitte Restructuring Inc. was appointed as the Trustee (the "Trustee") of the bankrupt estate (the "Estate"). At the Date of Bankruptcy, TMIC had approximately \$15.5 million in debt owing to various unsecured creditors and the Preferred Shareholders. On July 15, 2014, Trimor Equity Corporation ("TEC"), a related company, was also assigned into bankruptcy by its Directors pursuant to the BIA. TMIC and TEC are referred to as the "Companies."

TMIC retained the Bernhardt Mortgage Group Inc. ("BMG") as the investment fund manager pursuant to National Instrument 31-103. In this role, BMG was paid a monthly asset management fee pursuant to a management agreement between BMG and the Company dated October 1, 2012, which was subsequently amended by agreement dated October 1, 2013 to include TEC and to revise the fee arrangement. Pursuant to this agreement, BMG was responsible for managing and operating the Companies and maintaining their books and records.

The Trustee has retained McLennan Ross LLP as its independent legal counsel with respect to the bankruptcies of the Companies (the "Trustee's Counsel"). This was done by the Trustee prior to the first meeting of creditors ("FMOC") for the Companies, and pursuant to section 19(1) of the BIA, in order to attempt to preserve both a pending asset sale and funds garnished and held in Court. The Trustee will seek approval of the retention of the Trustee's Counsel from any Estate inspectors that are appointed at the FMOC for the Companies.

Class I – Inventory

TMIC did not own any inventory at the Date of Bankruptcy.

Class II – Plant, Machinery and Equipment and Office Equipment

The Company did not own any plant, machinery, equipment or office furniture at the Date of Bankruptcy.

Class III – Building and Real Estate

At the Date of Bankruptcy, the Company and/or TEC owned the following two properties (the "Properties"):

- 1213 – 1st Street SW, Calgary (the "Calgary Property") – an older, 2-storey plus basement commercial building in downtown Calgary with a rentable area of approximately 9,800 square feet located on a site of approximately 5,000 square feet, which is currently vacant and not generating any revenue. The Calgary Property is subject to a pre-bankruptcy purchase and sale agreement that was supposed to close on July 15, 2014. The Trustee was not aware of the scheduled

closing date and has met with the purchaser and is negotiating an amended purchase and sale agreement with amended terms and conditions and a closing date in August 2014. The Trustee understands that the Calgary Property had a 2013 tax assessed value of approximately \$2.2 million. The Calgary Property has a mortgage for approximately \$752,000 that is held by Axxess Capital Partners ("Axxess") as well as outstanding tax arrears and a builder's lien of approximately \$330,000; and

- 261049 Glendale Road, Bearspaw (the "Bearspaw Property") – a 160 acre property containing a single family house on four acres. The remaining portion of the property is undeveloped land, however the entire 160 acre property is included on a single title. There is a tenant renting the Bearspaw Property at a rate of \$3,000 per month and the Trustee is still trying to locate a lease agreement. The Trustee understands that the Bearspaw Property had a 2013 tax assessed value of approximately \$968,000 and there is an outstanding vendor take-back mortgage of approximately \$1 million.

Although the title searches for the Properties indicate that they are owned by TEC, the Trustee understands that this ownership arrangement is the result of a mortgage investment corporation not being able to hold title to actual property. The Trustee is working with the Trustee's Counsel to determine whether the necessary novation agreements are in place between TMIC and TEC to clarify the ownership of the Properties.

In addition, the Company holds investments in various mortgages, as listed below:

- First mortgage of approximately \$3.2 million on serviced home/resort sites near Lake Newell in Brooks, Alberta. BMG commenced a foreclosure action against this borrower in March 2014, but the Trustee understands that the mortgage has been in default since August 2012. The Trustee has recently met with the borrower and expects to receive a settlement offer in the near future;
- Second mortgage on a house and third position on secondary lands, both of which are located in Calgary, as security on a loan amount of approximately

\$101,000. The Trustee understands that the holder of the first mortgage has started foreclosure proceedings and the Trustee is trying to obtain further information;

- Mortgage of approximately \$322,000, as part of a syndicated construction loan for a total of \$1,945,000, on a 12-unit commercial condominium warehouse project in Calgary. The Trustee has been informed by Axxess, the loan administrator, that several of the units have been recently sold and funds are expected to be received by TMIC when the final deficiencies are completed for the sold units in August 2014; and
- Mortgage of approximately \$67,000, as part of a syndicated loan for a total of \$4.3 million, on a resort / lake land development in Saskatchewan. The Trustee has been informed that another investor in the syndicate is considering making an offer on TMIC's position in this loan.

The Trustee is trying to assemble as much information as possible on the Properties and mortgages in order to review and assess the various realization options available. The total estimated net realizations from these assets are not known at this time and the Trustee will be seeking instructions from any Estate inspectors that are appointed at the FMOC for the Companies.

Class IV – Books and Records

The Trustee has taken possession of the physical books and records of TMIC that have been provided and made available to the Trustee by BMG, including electronic records that were provided to the Trustee on July 29, 2014.

The Trustee has requested access to the records of GK Mah, the accountant who prepared the Company's most recent financial statements as at December 31, 2013.

Class V – Other Assets

The Trustee has collected cash totalling \$336 from the Company's only bank account.

The Trustee is aware of ongoing litigation where an investor by the name of Robert Fox (the "Fox Litigation") filed a claim against the Company and obtained a default judgment against the Company after the claim was unopposed by BMG. The judgement was obtained in May 2014 for \$271,000 and funds of \$226,000 were then garnished from TMIC's bank account on June 4, 2014 and paid into Court. The Trustee understands that approximately \$200,000 of funds remain in Court (the "Remaining Garnished Funds"). The Trustee's Counsel attended Court on July 31, 2014 and obtained an order directing that the Remaining Garnished Funds be paid to the Trustee; however the funds cannot be used without further direction from the Court as it is understood that Mr. Fox is going to apply to Court to annul the bankruptcy of TMIC.

While the Trustee has conducted a preliminary review of the Estate assets and the Company's books and records provided by BMG, the Trustee is currently unable to assess whether the Company is due a Goods and Service Tax refund or whether GST is owed to the Canada Revenue Agency ("CRA") at the Date of Bankruptcy. The Trustee will correspond with CRA and clarify this issue.

Property Placed Under the Guardianship of Debtor or Third Party

Apart from the Properties noted earlier in this report, the Trustee is not aware of any property placed under the guardianship of the Company or a third party.

Section B – Current State of Operations

1. Conservatory and Protective Measures

The Trustee took possession of the Calgary Property and attended at the Bears paw Property after the Date of Bankruptcy and has arranged for the Company's insurance coverage to remain in place on the Properties and other assets.

2. Carrying on Business

The Company's operations ceased on the Date of Bankruptcy and have not been re-started.

Section C – Legal Proceedings

As previously reported, the Trustee is aware of the Fox Litigation and is taking steps to try and secure the release of the Remaining Garnished Funds from Court for the benefit of the Estate.

Section D – Provable Claims

The Trustee is aware that the Preferred Shareholders may have submitted redemption requests to BMG prior to the Date of Bankruptcy. Furthermore, these Preferred Shareholders may have claims as unsecured creditors and several such claims have been received to date. The Trustee's Counsel is reviewing the issue on whether or not the Preferred Shareholders would be considered unsecured creditors based on the various agreements in place.

Section E – Secured Creditors

The Trustee performed a Personal Property Registry Search on the Company and there appear to be no secured creditors who hold general security agreements against the Company's assets. As previously reported, there are mortgage debts owing on the Properties.

The Trustee understands that the Company had no employees and, accordingly, there should be no deemed trust claim against the Estate for any unremitted payroll source deductions and no priority claims pursuant to the Wage Earner Protection Program Act.

Section F – Realization and Projected Distribution

The Trustee is moving to realize on the assets of the Company and is in current negotiations with the existing purchaser of the Calgary Property. The Trustee is also looking at realization options with respect to the Bearspaw Property and the remaining mortgages and will seek instructions from any inspectors appointed at the FMOC for the Companies.

Any distributions to the creditors and Preferred Shareholders will be dependent on the success of the realization process and the amounts available after the Trustee's fees and costs and any priority claims.

Section G – Reviewable Transactions and Preference Payments

The Trustee will be undertaking a review of the Company's books and records for the twelve months prior to bankruptcy.

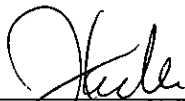
Section H – Other Matters

Fees for the Trustee and its administrators and counsel will be based on standard hourly rates.

Dated at Calgary, this 6th day of August, 2014.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee in Bankruptcy
of Trimor Mortgage Investment Corporation
and not in its personal capacity.



Jeff Keeble, CA, CBV, CIRP
Trustee

CANADA
Province of Alberta

District of Alberta
Division of 02 - Calgary
Court No. 25-1890623
Estate No. 25-1890623

TRUSTEE'S PRELIMINARY REPORT
IN THE MATTER OF THE BANKRUPTCY OF
TRIMOR EQUITY CORPORATION

Formerly carrying on business in the City of Calgary in the Province of Alberta

Trustee: Deloitte Restructuring Inc.

Introduction

Trimor Equity Corporation ("TEC" or the "Company") was incorporated under the laws of the Province of Alberta on March 15, 2004. The common shareholders of the Company are Jim Irvine, Art Visser, Chris Beadle, Nathan Bernhardt and Barry Bernhardt, with each owning 20% of the outstanding common shares. The directors of TEC are Jim Irvine and Randy Smyth (the "Directors"). The Trustee understands that TEC was incorporated in order to hold properties in trust for a related company called Trimor Mortgage Investment Corporation ("TMIC"). TMIC is a mortgage investment corporation which raised funds from investors, referred to as the "Preferred Shareholders", and these funds were invested in various mortgages on properties located in Alberta and Saskatchewan. As a result of foreclosure proceedings undertaken by TMIC in regards to certain mortgages, TMIC took ownership of certain properties (the "Properties") and required TEC to hold these properties in trust as TMIC can only hold mortgage investments and not actual properties.

It also appears that TEC is a general partner of a Manitoba limited partnership called CRMR Limited Partnership and the Trustee is currently investigating this structure.

TEC experienced financial difficulty as a result of its reliance on TMIC and the funding of the holding costs related to the Properties. TMIC had several non-performing mortgages and experienced a decline in values of certain real estate properties that formed its mortgage security. As a result of these difficulties, the Directors assigned TEC into

bankruptcy pursuant to the *Bankruptcy and Insolvency Act* ("BIA") on July 15, 2014 (the "Date of Bankruptcy"), and Deloitte Restructuring Inc. was appointed as the Trustee (the "Trustee") of the bankrupt estate (the "Estate"). On July 15, 2014, TMIC was also assigned into bankruptcy by the Directors pursuant to the BIA. TEC and TMIC are referred to collectively as the "Companies."

TMIC retained Bernhardt Mortgage Group Inc. ("BMG") as the investment fund manager pursuant to National Instrument 31-103. In this role, BMG was paid a monthly asset management fee pursuant to a management agreement between BMG and TMIC dated October 1, 2012 which was subsequently amended by agreement dated October 1, 2013 to include TEC. Pursuant to this agreement, BMG was responsible for managing and operating both Companies and maintaining their books and records.

The Trustee has retained McLennan Ross LLP as its independent legal counsel with respect to the bankruptcies of the Companies (the "Trustee's Counsel"). This was done by the Trustee prior to the first meeting of creditors ("FMOC") for the Companies, and pursuant to section 19(1) of the BIA, in order to attempt to preserve both a pending asset sale and funds garnished and held in Court. The Trustee will seek approval of the retention of the Trustee's Counsel from any Estate inspectors that are appointed at the FMOC for the Companies.

Class I – Inventory

TEC did not own any inventory at the Date of Bankruptcy.

Class II – Plant, Machinery and Equipment and Office Equipment

The Company did not hold any plant, equipment or office furniture at the Date of Bankruptcy.

Class III – Building and Real Estate

At the Date of Bankruptcy, TEC was listed on the title searches as the owner of the following Properties:

- 1213 – 1st Street SW, Calgary (the "Calgary Property") – an older, 2-storey plus basement commercial building in downtown Calgary with a rentable area of approximately 9,800 square feet located on a site of approximately 5,000 square feet, which is currently vacant and not generating any revenue. The Calgary Property is subject to a pre-bankruptcy purchase and sale agreement that was supposed to close on July 15, 2014. The Trustee was not aware of the scheduled closing date and has met with the purchaser and is negotiating an amended purchase and sale agreement with amended terms and conditions and a closing date in August 2014. The Trustee understands that the Calgary Property had a 2013 tax assessed value of approximately \$2.2 million. The Calgary Property has a mortgage for approximately \$752,000 that is held by Axxess Capital Partners as well as outstanding tax arrears and a builder's lien of approximately \$330,000; and
- 261049 Glendale Road, Bearspaw (the "Bearspaw Property") – a 160 acre property containing a single family house on four acres. The remaining portion of the property is undeveloped land, however the entire 160 acre property is included on a single title. There is a tenant renting the Bearspaw Property at a rate of \$3,000 per month and the Trustee is still trying to locate a lease agreement. The Trustee understands that the Bearspaw Property had a 2013 tax assessed value of approximately \$968,000 and there is an outstanding vendor take-back mortgage of approximately \$1 million.

Although the title searches for the Properties indicate that they are owned by TEC, the Trustee understands that this ownership arrangement is the result of a mortgage investment corporation not being able to hold title to actual property. The Trustee is working with the Trustee's Counsel to determine whether the necessary novation agreements are in place between TMIC and TEC to clarify the ownership of the Properties.

The Trustee is trying to assemble as much information as possible on the Properties in order to review and assess the various realization options available. The total estimated net realizations from the Properties is not known at this time and the Trustee will be

seeking instructions from any Estate inspectors that are appointed at the FMOC for the Companies.

Class IV – Books and Records

The Trustee has taken possession of the available books and records of TEC that have been provided and made available to the Trustee by BMG, including electronic records that were provided to the Trustee on July 29, 2014.

The Trustee has requested access to the records of GK Mah, the accountant who prepared the Company's most recent financial statements as at October 31, 2013.

Class V – Other Assets

The Trustee has collected cash totalling approximately \$6,600 from the Company's only bank account.

Property Placed Under the Guardianship of Debtor or Third Party

Apart from the Calgary Property and the Bearspaw Property as noted earlier in this report, the Trustee is not aware of any property placed under the guardianship of the Company or a third party.

Section B – Current State of Operations

1. Conservatory and Protective Measures

The Trustee took possession of the Calgary Property and attended at the Bearspaw Property after the Date of Bankruptcy and has arranged for the Company's insurance coverage to remain in place on the Properties.

2. Carrying on Business

The Company's operations ceased on the Date of Bankruptcy and have not been re-started.

Section C – Legal Proceedings

The Trustee is not aware of any ongoing litigation against TEC at the time of the drafting of this report.

Section D – Provable Claims

The Trustee is aware that the Preferred Shareholders of TMIC may have claims as unsecured creditors as against the assets owned by TEC. Some claims have been received to date as against TEC.

Section E – Secured Creditors

The Trustee performed a Personal Property Registry Search on the Company and there appear to be no secured creditors who hold general security agreements against the Company's assets. As previously reported, there are mortgage debts owing on the Properties.

The Trustee understands that the Company had no employees and, accordingly, there should be no deemed trust claim against the Estate for any unremitted payroll source deductions and no priority claims pursuant to the Wage Earner Protection Program Act.

Section F – Realization and Projected Distribution

The Trustee is moving to realize on the assets of the Company and is in current negotiations with the existing purchaser of the Calgary Property. The Trustee is also looking at realization options with respect to the Bearspaw Property and will seek instructions from any inspectors appointed at the FMOC for the Companies.

Any distributions to the TEC creditors will be dependent on the clarification of the novation agreements between TMIC and TEC regarding the properties and mortgages and the success of the realization process and the amounts available after the Trustee's fees and costs and any priority claims.

Section G – Reviewable Transactions and Preference Payments

The Trustee is undertaking a review of the Company's books and records for the twelve months prior to bankruptcy and this work will be completed in due course.

Section H – Other Matters

Fees for the Trustee and its administrators and counsel will be based on standard hourly rates.

Dated at Calgary, this 6th day of August, 2014.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee in Bankruptcy
of Trimor Equity Corporation
and not in its personal capacity.



Jeff Keeble, CA, CBV, CIRP
Trustee

