



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**March 31, 2015**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### EXECUTIVE SUMMARY

#### PrimeWest

PrimeWest Mortgage Investment Corporation chose to revise its corporate status from an "Investment Fund" to a "Regular Reporting Issuer" effective January 1, 2014 ratified at a Special Meeting of the Shareholders on November 27th, 2013. The revised status was undertaken following legal consultation to ensure the company would continue to comply with all Mortgage Investment Corporation ("MIC") securities regulations and would be capable of continuing operations as in the past without undue operating constraints ensuring future ongoing business efficiencies.

#### Statement of Financial Position for the Period Ending March 31, 2015

	March 31, 2015 \$	March 31, 2014 \$
<b>ASSETS</b>		
<b>Total Assets</b>	26,246,912	21,531,051
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>	9,589,758	1,960,467
<b>Shareholders' Equity</b>		
Shareholders' capital	14,135,065	17,617,162
Retained earnings	2,522,089	1,953,422
<b>Total Liabilities and Shareholders' Equity</b>	26,246,912	21,531,051
Shares outstanding	1,722,193	2,095,305
Shareholders' Equity per share	\$9.67	\$9.34

## Statement of Comprehensive Income

For the three months ended

	March 31, 2015 \$	March 31, 2014 \$
<b>Income</b>		
Mortgage interest	675,286	531,778
Mortgage interest on delinquents	16,917	154,047
Fees	208,960	198,911
	<u>901,163</u>	<u>884,736</u>
<b>Interest and fees expense</b>		
Interest	103,186	14,580
Fees	3,595	34,297
	<u>106,781</u>	<u>48,877</u>
<b>Net interest and fees income</b>	794,382	835,859
(Recovery) bad debts and change in provision for mortgage losses	(97,711)	2,079
Change in provision for interest on delinquents	16,917	154,047
(Gain) loss on disposal of assets taken in settlement of debt	97,916	-
<b>Net interest and fees income after provision for mortgage losses</b>	<u>777,260</u>	<u>679,733</u>
<b>Expenses</b>	243,621	284,531
<b>Total comprehensive income for the period attributable to shareholders of the Company</b>	<u>533,639</u>	<u>395,202</u>
<b>Earnings per share</b>		
Basic and diluted	\$.31	\$.19

## Statement of Changes in Shareholders' Equity

	Shareholders' capital \$	Retained earnings \$	Total equity \$
As at January 1, 2014	17,617,162	1,977,281	19,594,443
Share issuance	-	-	-
Share redemption	-	-	-
Dividends	-	(419,061)	(419,061)
Total comprehensive income for the period	-	395,202	395,202
As at March 31, 2014	<u>17,617,162</u>	<u>1,953,422</u>	<u>19,570,584</u>
As at January 1, 2015	14,135,065	2,332,889	16,467,954
Share issuance	-	-	-
Share redemption	-	-	-
Dividends	-	(344,439)	(344,439)
Total comprehensive income for the period	-	533,639	533,639
<b>As at March 31, 2015</b>	<u>14,135,065</u>	<u>2,522,089</u>	<u>16,657,154</u>

## **IMPORTANT EVENTS**

On November 27, 2013 a Special Meeting of Shareholders was held in which the shareholders voted in favour of the following resolutions:

### **Reclassification from Investment Fund to Regular Reporting Issuer**

The reclassification from an investment fund to a regular reporting issuer did not impact the corporate governance of the Corporation, as set forth above, other than with respect to the Independent Review Committee. Regular reporting issuers are not required to have an independent review committee and as such the PrimeWest Committee was dissolved. Conflicts of interest continue to be managed in accordance with applicable corporate laws relating to conflicts of interest.

### **Changes to Redemption Provisions**

The articles of the Corporation previously permitted the Corporation to redeem, and the holders of the Class A Shares of the Corporation to call for retraction of, Class A Shares at a fixed price of \$10.00 per share plus dividends that were declared but not paid or not declared but accruing due. In the past, the Corporation had at times been unable to redeem Class A Shares when holders had called for retraction due to certain restrictions under *The Business Corporations Act* (Saskatchewan).

Effective December 31, 2013 when redemption of shares is to occur, the Corporation will redeem the shares at a price that is equal to the lesser of \$10.00 per Class A share or the book value per Class A share, and it will also pay to the shareholder any dividends that are declared and accruing due or declared but not paid prior to any "Notice of Redemption". Under the amendments, for the purposes of determining the redemption price, book value means the total shareholder's equity as shown on the most recent audited annual financial statements of the Corporation.

When a shareholder calls for redemption of shares held by such shareholder by giving notice to the Corporation during the period April 1 to April 30th of a particular year (the "**Redemption Period**"), the Corporation shall on or before July 31<sup>st</sup>, and provided redemption requests for the year do not exceed 10% of the number of outstanding shares, redeem the shares at the price equal to the lesser of (a) \$10.00 per share; or (b) the book value per Class A shares as stated in the audited financial statement for the year ended immediately prior to the Redemption Period, plus in either case any dividends thereon effective to the date of the Notice of Redemption, which are accruing due or have been declared but not paid. In cases where the Corporation calls for redemption of shares held by shareholders, the redemption price will be paid in the manner prescribed in the Notice of Redemption and the redemption price shall be calculated in the same manner.

## **OPERATIONS**

PrimeWest continues to primarily operate in the Province of Saskatchewan with some mortgage holdings in Manitoba and Alberta. The company operates in a market where a high turnover of mortgage receivables is the norm as clients are assisted to successfully return to main stream banking as their credit record improves or short term circumstances change to allow this. The Corporation's mortgage receivable continues to adjust as real estate prices initially moved higher during 2014 only to drift lower in the fall of the year. The individual average mortgages have moved in tandem with the market as the price of real estate adjusts. The resulting impact on the Corporations mortgage portfolio is slightly higher average individual mortgage receivables and slightly lower number of specific mortgages.

At March 31, 2015 our Portfolio consisted of 73 (December 2014 – 74) mortgages bearing interest at fixed rates from 3.95% to 14.0% maturities ranging from April 2015 to June 2016, secured by real property to which they relate and by additional security in certain circumstances. Interest rates in the lower ranges are primarily associated with short term mortgages with maturities of 2 to 6 months. Shorter term mortgages were being provided to facilitate cash requirements relative to the new redemption policy as well as to generate higher fee revenues through multiple annual mortgage loan turnover.

Over the past few years, the pressures of rising real estate prices in all markets PrimeWest operates in, has further resulted in a fundamental change in the demographics of the typical residential mortgage client base. Higher average residential mortgage balances has translated into higher equity requirements for home owners, which translates to a shift upmarket in the mortgage client demographic to meet these new higher levels. Higher individual earnings and increased numbers of dual earning families are reflected in this new market segment.

The April 30th, 2014 closing for redemption requests resulted in redemption requests which the Board of Directors reviewed for the established July 31<sup>st</sup>, 2014 payment for approved requesting shareholders. The Corporation's goal was to accommodate all requests to the extent possible without negatively impacting future ongoing operations for the Corporation and the Investors. The Corporation redeemed 383,112 shares at the audited NAV of \$9.35 per share.

The effects of the 2014 shareholder redemptions, while in excess of 10%, provided the corporation with a more efficient utilization of shareholder capital and a favorable impact on shareholder book value. A more balanced approach utilizing shareholder capital and financing lines of credit will result in improved capital costs for the corporation, and improved yield for the shareholders.

The April 30, 2015 closing for redemption requests will be reviewed by the Board of Directors for the July 31<sup>st</sup>, 2015 payment for approved requesting shareholders.

#### **Notice Regarding Forward-Looking Information**

Certain information included in this Management's Discussion and Analysis ("MD&A") contains forward-looking statements within the meaning of applicable securities legislation, including statements with respect to management's beliefs, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. All information contained in this MD&A, other than statements of current and historical fact, is forward-looking information. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intent", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

Forward-looking statements are subject to inherent risks and uncertainties. These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include, among other things, risks associated with mortgage lending, competition for mortgage lending, real estate values, interest rate fluctuations, environmental matters and the general economic environment. We caution that the foregoing list is not exhaustive, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on any forward-looking statements. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

This MD&A is dated March 31, 2015. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

#### **Background and Overview**

PrimeWest Mortgage Investment Corporation (the "**Corporation**", "**PrimeWest**", "**we**" or "**our**") was incorporated on March 22, 2005 pursuant to *The Business Corporations Act* (Saskatchewan). The Corporation's head office is situated at 700 - 750 Spadina Crescent East, Saskatoon, Saskatchewan S7K 3H3 and its

registered office is located at 1000 - 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7. The Corporation has no subsidiaries. The Corporation's fiscal year ("**Fiscal Year**") is the twelve-month period ending on December 31st of each year.

Operations are conducted to qualify as a mortgage investment corporation ("**MIC**") for the purpose of the *Income Tax Act* (Canada) (the "**Tax Act**").

The Corporation's Class A shares ("**Common Shares**") do not trade on any exchange or market. The Corporation is a reporting issuer in each of Saskatchewan, British Columbia, Alberta, Manitoba and Ontario and is a SEDAR filer.

Additional information on the Company is available on the PrimeWest Mortgage Investment Corporation website at [www.primewest.ca](http://www.primewest.ca) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **DESCRIPTION OF BUSINESS**

The Corporation achieves its investment objective by lending on the security of mortgages on real properties situated primarily in the Provinces of Saskatchewan, Manitoba and Alberta, but will also consider lending on the security of mortgages on real properties situated outside of these provinces. If such expansion occurs, the Corporation will apply, if necessary, to become registered under corporate and applicable mortgage brokering legislation to carry on business as a MIC in all other such jurisdictions. There are no restrictions on the amount of funds that may be invested by the Corporation in any particular Province or Territory of Canada.

The mortgages transacted by the Corporation do not generally meet the underwriting criteria of conventional lenders and/or involve borrowers in rural areas generally not well serviced by major lenders. As a result, PrimeWest's investments are expected to be subject to greater risk and accordingly earn a higher rate of interest than what is generally obtainable through conventional mortgage lending activities. The Corporation's investment portfolio will vary from time to time depending on the Corporation's assessment of lending markets, geographical conditions and overall market conditions in Saskatchewan and elsewhere that the Corporation makes an investment.

To the extent that the funds of the Corporation are not invested in investments from time to time, funds will be held in cash deposited with a credit union or Canadian chartered bank or will be invested by the Corporation in short term deposits, savings accounts or government guaranteed income certificates so as to maintain a level of working capital for the ongoing operations of the Corporation.

As the Corporation holds a license to operate as a financing corporation under *The Trust and Loan Corporations, Act 1997* (Saskatchewan) it has the right to conduct its own mortgage transactions. The corporation is also registered as a Mortgage Broker under *The Mortgage Brokers Act* (Manitoba). However, where practical, it is the practice of the Corporation to utilize brokers ("**Brokers**") registered pursuant to the provisions of *The Mortgage Brokers Act* (Saskatchewan) and *The Mortgage Brokers Act* (Manitoba), to seek out borrowers and submit mortgage applications to the Corporation. See "Business with Brokers". In other cases, the Corporation receives referrals from immigration consultants, financial advisers and bankruptcy/liquidation agencies. Upon mortgage approval, third party professional personnel prepare and register all mortgage security on behalf of the Corporation.

### **Development of Business**

Since its incorporation in 2005, the Corporation raised capital through a prospectus, offering memorandums and other private placements. In 2014, the Corporation invested \$24,605,080 in 74 mortgages (2013 - 71) bearing interest at fixed rates up to 14% per annum and with maturities in 2014 and extending to June 2016.

The Corporation's annual financial statements for the year ended December 31, 2014, which are incorporated herein by reference, and further information about the development of the business of the Corporation, can be found in its December 31, 2014 MD & A. These documents can be viewed on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Distribution of mortgages:

		<b>March 31 2015</b>		<b>March 31 2014</b>
	<b>Effective interest rates</b>	<b>Number of mortgages</b>	<b>Amortized cost and fair value</b>	<b>Number of mortgages</b>
				<b>Amortized cost and fair value</b>
	3 – 4%	1	295,637	-
	4 – 5%	1	895,647	-
	6 – 7%	1	292,575	-
	7 – 8%	2	475,334	778,526
	8 – 9%	3	1,286,956	2,088,689
	9 – 10%	5	1,678,367	757,118
	10 – 11%	5	3,756,483	1,858,757
	11 – 12%	9	5,457,684	2,294,262
	12 – 13%	37	7,046,803	4,096,719
	13 – 14%	9	3,744,014	5,305,581
	14 – 15%	-	-	3,348,229
<i>Allowance for mortgage losses</i>			<b>(16,917)</b>	<b>(169,047)</b>
			<b>24,912,583</b>	<b>72</b>
				<b>20,358,834</b>

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### Credit Risk and Provisioning

Management reviews the mortgage portfolio continuously. An allowance for mortgage loan losses is established consisting of specific provisions that, in management's judgment, is adequate to absorb all credit related losses in the portfolio. Specific provisions include all of the accumulated provisions for losses on particular assets required to reduce the related assets to estimated realizable value. The Corporation regularly establishes provisions for each mortgage receivable, if applicable.

### Investment Objectives

The principal investment objective of the Corporation is to provide shareholders income while preserving capital for distribution or reinvestment. As a MIC, virtually all quarterly profits are distributed to the holders of the Common Shares. The Corporation expects to derive its earnings principally from the receipt of mortgage interest payments, fees and of interest on the cash reserves of the Corporation.

### Operating Restrictions

Up until March 31, 2015, PrimeWest operated in accordance with the standard restrictions and practices imposed by Canadian securities legislation. These standard restrictions and practices have been designed in part to ensure that the Corporation's investments are diversified and relatively liquid, and to ensure the proper administration of the Corporation.

In addition, PrimeWest's investment practices are subject to certain operating, lending and other restrictions which have been adopted by the Corporation's board of directors. According to these restrictions, the Corporation may not:

- (i) make a mortgage loan if, immediately after the closing of the loan transaction, the amount so lent would be greater than 20% of the Corporation's net assets, while the net assets are in excess of \$2,000,000;

- (ii) guarantee securities or obligations of any person or Corporation;
- (iii) engage in securities lending;
- (iv) engage in derivative transactions for any purpose;
- (v) develop, manage or acquire (except by foreclosure or other enforcement of its rights as mortgagee) any real property;
- (vi) enter into a forward commitment binding on the Corporation unless the Corporation has, at the time such commitment is made, sufficient cash or "near cash" securities to fund the loan to which the commitment relates; or
- (vii) otherwise conduct its business in a manner that would cause the Corporation not to qualify as a MIC, that would result in the Common Shares not being a "qualified investment" for a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan or deferred profit sharing plan ("**Registered Plans**") or that would result in Common Shares being foreign property for the purpose of the Tax Act.

During the period ended March 31, 2015, the Corporation observed the investment restrictions set forth in this paragraph.

Any change to the fundamental investment objectives of the Corporation requires shareholder approval given at a meeting of the shareholders of the Corporation called to consider such change.

On November 27, 2013 at the Special Meeting of Shareholders, a resolution was passed to allow the Corporation to transition from an Investment Fund to a Regular Reporting Issuer under applicable securities laws in Canada, effective January 1, 2014. This reclassification did not affect the investment objectives and strategies that were already in place by PrimeWest. The reclassification does affect reporting. PrimeWest is no longer required to operate in accordance with National Instrument 81-102 - *Mutual Funds*. **One important difference in the reclassification from an Investment Fund to a Regular Reporting Issuer is increased reporting, and the Corporation now files quarterly financial statements rather than semi-annually.**

### **Operating policies**

In addition to the foregoing operating restrictions, the operations and affairs of the Corporation are required to be conducted in accordance with the following operating policies:

- (i) the Corporation must obtain a Phase I environmental audit where the real estate to be provided as security for a mortgage is commercial property. Where the real estate is not commercial property, a Phase I environmental study will not be commissioned unless a Broker deems such an audit to be necessary;
- (ii) all property taxes shall be paid to the date of any mortgage advance on real property provided as security for a mortgage and the borrower shall agree to pay property taxes on the tax instalment payment plan (TIPP) with the local tax authority unless a Broker has determined that the establishment of such a TIPP account is not necessary; and
- (iii) the legal title to each mortgage and other investments of the Corporation must be held by and registered in the name of the Corporation.

### **Investment policies**

The Corporation has adopted certain policies which establish the investment criteria for the Corporation's investments, which are as follows:

- (i) the Corporation may only invest in commercial and residential mortgage loans secured against real property situated in Canada and primarily in Saskatchewan, Manitoba, and Alberta.
- (ii) the Corporation as a general practice maintains a portion of its' total assets in cash or "near-cash" securities (such as units of money market funds) or an equivalent amount of funds available under the Corporation's line of credit financing in order to meet redemption requests and also to be in a position to redeem a prior mortgagee's interest in a given property if a Broker considers that it would be advantageous for the Corporation to do so having regard to the market value of the property and the amount of mortgage debt



- due to the Corporation. The Board will monitor the cash and credit position of the Corporation on a regular basis in order to maintain its cash, near-cash and/or credit reserve positions at a necessary level;
- (iii) all bridge financing loans in which the Corporation invests will be secured by an interest against title to the real property that is the subject of the bridge financing loan and an irrevocable assignment of proceeds from the sale of such real property;
  - (iv) the Corporation may not make any loan or investment which does not meet the "Canadian content" requirements of paragraph 130.1(6)(c) of the Tax Act;
  - (v) the Corporation may not make a loan which, together with all other mortgage loans that have priority over or rank pari passu with such loan, exceeds 95% of the fair market value of the mortgaged property, except when:
    - (a) such mortgage is insured under the National Housing Act (Canada) or any similar legislation of a province, or
    - (b) the excess over 90% is insured by an insurance company registered or licensed under the Insurance Companies Act (Canada) or similar legislation of a Canadian province or territory;
  - (vi) the Corporation may not make a loan secured by a mortgage on a property in which:
    - (a) any senior officer or director of the Corporation or of a Broker, or
    - (b) any associate or affiliate of a person referred to in (a) above has an interest as mortgagor;
  - (vii) the Corporation will not trade in mortgages in the secondary market although the Corporation retains the ability, in exceptional circumstances, to assign a mortgage to a third party;
  - (viii) the Corporation may not hold a mortgage the initial term of which exceeds two years, but mortgages held by the Corporation may contain provisions permitting the mortgagor, when not in default, to renew the mortgage for one or more additional terms;
  - (ix) generally, the Corporation's mortgages will not secure debt incurred for the construction or development of real estate although the Corporation may from time to time engage, under strict guidelines, in bridge financing for such projects instead of holding idle cash; and
  - (x) traditional lenders will from time to time refer bridge financing opportunities to a Broker where the lender has provided a "take-out loan" (i.e. a commitment to make a loan secured by a first-ranking mortgage where such loan will be advanced upon completion of the construction of a building in order to repay a prior loan which financed such construction). The Corporation may provide bridge loan financing to clients of "take-out" lenders on a draw-down basis by means of higher interest loans for amounts equal to, in the aggregate, up to 95% of the appraised finished value of the property. Real property and/or personal property security will be obtained by the Corporation when providing this type of financing.

The Board may approve an amendment to the investment policies of the Corporation from time to time.

If, due to a change in the provisions of the Tax Act or other legislation applicable to the Corporation, any of the foregoing investment policies and investment criteria requires amendment in order to comply with such change in legislation, the Board may make such change and such change will be binding on the Corporation. The Brokers will be required to comply with and observe such change immediately upon such change becoming effective.

The Corporation has established a credit committee, which is comprised of two members chosen from amongst the members of the Board and the President and Chief Executive Officer. The primary purpose of the Credit Committee is to oversee lending guidelines and to provide oversight in the review of delinquent loan files.

### **Investment Criteria**

The Corporation has established investment criteria, which includes the following:

- (i) the Corporation will make investments so that it maintains its status as a MIC;
- (ii) loans will be secured by mortgages and/or other appropriate security interests in favour of the Corporation, either as sole mortgagee or co-mortgagee, and each mortgage will be duly registered as a charge against the real property which is the subject of the mortgage. All investments made with respect to loan applications submitted by a Broker, will be reviewed and will have received a positive recommendation by such Broker;
- (iii) bridge financing loans will be secured by an irrevocable direction to pay such loans from the proceeds of a binding contract to sell real property and an irrevocable assignment of such proceeds in favour of the Corporation, either as sole assignee or co-assignee;

- (iv) loans will be made to borrowers who deal with the Corporation, the Brokers and their affiliates, shareholders, officers and directors at arm's length;
- (v) mortgages will be registered as a charge against real property, provided that the overall loan to appraised value ratio does not exceed 95% (including prior charges);
- (vi) prior to funding the loan, the Corporation will obtain current appraisals on all properties which secure the loan. The appraisals will be completed by an accredited appraiser approved by the Corporation;
- (vii) the initial term of each loan will not exceed a term of 24 months;
- (viii) the Corporation will make loans primarily in the Province of Saskatchewan and may expand to other provinces and territories in Canada. While the Corporation will look, at least initially, primarily to Saskatchewan based mortgages for its investment opportunities, there are no restrictions on the amount of funds that may be invested by the Corporation in any particular Province or Territory of Canada;
- (ix) the Corporation may advance additional monies on a loan in order to protect the loan, notwithstanding that the additional advance of funds may increase the loan to value ratio over and above the parameters set out above.

Key to a Mortgage Investment Corporation's success in the management of mortgage receivables is the ability to efficiently match shareholder investment capital with the funding of residential and commercial mortgage loans. Shareholder yield is negatively impacted when available investment capital is underutilized and as such it is crucial corporate operations has the ability to respond to market demand while ensuring cash reserves while available do not create a drag on yield efficiency. Typically MIC corporations utilize banking credit lines to provide the necessary flexibility for access to capital while doing so with a reduced cost of capital when compared to investor capital.

### Capital Management

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 long-term debt, including current portion. The Company monitors capital using the following measures:

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	<b>\$</b>	<b>\$</b>
Demand loan	9,211,895	1,405,588
Trade and other payables	101,330	124,101
Due to related parties	-	-
Unearned revenue	276,533	430,778
<b>Total debt</b>	<b>9,589,758</b>	<b>1,960,467</b>
Shareholders' equity	16,657,154	19,570,584
<b>Total capitalization</b>	<b>16,657,154</b>	<b>19,570,584</b>
Debt to total capitalization (%)	57.6%	10.0%
Net interest and fees income after provision for mortgage losses	777,260	679,733
Net interest margin	86.3%	82.1%
Dividend payout ratio	64.5%	106.0%
Net available cash as a % of shareholders' equity	3.9%	28.5%
Net debt to increase in shareholders' equity from operations	18	5
Effective interest rate %	11.7%	11.9%
Average portfolio yield	14.7%	17.8%
Turnover ratio	3.3%	51.0%

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, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and issue new debt to replace existing debt.

## **DIVIDEND POLICY**

In each Fiscal Year of the Corporation, the registered holders of Common Shares are entitled to receive dividends as and when declared from time to time by the Board, acting in its sole discretion, out of the money of the Corporation properly available for dividends. Subject to the Corporation retaining sufficient cash reserves for future or anticipated operating expenses, it is the policy of the Corporation to dividend surplus income out to shareholders prior to completion of the Corporation's Fiscal Year end and thereby minimizes taxable income. It is the practice of the Corporation to declare dividends at the end of each fiscal quarter.

The Corporation's history of dividend payments, which currently equates to a quarterly rate of 2%, is as follows:

- March 31, 2006 - \$0.15 per Common Share;
- June 30, 2006 – March 31, 2015 \$0.20 per Common Share;

## **MANAGEMENT**

### **Don Zealand - President and Chief Executive Officer since March 23, 2011**

Saskatoon, SK

Mr. Zealand joined PrimeWest as President and Chief Executive Officer on March 23, 2011. Prior to his hire he enjoyed an extensive career with Royal Bank Financial Group, demonstrating leadership and teamwork. While with Royal Bank, Don held senior positions at the branch, region and head office levels. He is an experienced commercial banker acting in Senior Commercial lending responsibilities. Don's most recent position with Royal Bank was Vice President-Commercial Public Sector for Saskatchewan, Manitoba and North-Western Ontario.

Don has received recognition for strong team and personal sales abilities, being named one of five Top Sales Performers in Commercial Banking in Canada. He is a graduate of Business Administration, fellowship in the Institute of Canadian Bankers (FICB) and has completed the Canadian Securities Course and is a Certified Financial Planner.

Don is also an active member of the business community as a past Director of the Greater Saskatoon Chamber of Commerce and the Canadian Treasury Management Association, and was a founding member of the ViaSource mentoring program established by the Royal Bank. He is also active outside of business, as a founding member and Past President of the Saskatoon Zoo Foundation, a member of the Rotary Club of Saskatoon and as a coach in little league soccer and Marion Graham high school curling and a 39 year Associate Member of the Royal Canadian Legion.

Mr. Zealand's contact information is as follows:

700 - 750 Spadina Crescent East  
Saskatoon, SK S7K 3H3  
Telephone: (306) 292-7269  
Fax: (306) 955-9511  
Email: [dzealand@primewest.ca](mailto:dzealand@primewest.ca)

**Rick Peddle, FCA – Chief Financial Officer**  
Saskatoon, SK

Mr. Peddle, through Thomson Jasper & Associates, provides financial and accounting services to the Corporation on a fee for service basis.

Although none of the directors or officers of the Corporation, save and except the Chief Executive Officer, will devote all of his or her full time to the business and affairs of the Corporation, each will devote as much time as is necessary to supervise the management of, to manage or to advise on the business and affairs of the Corporation.

PrimeWest has 4 full time employees and 2 part time employees who assist in the day-to-day management and administration of the Corporation. The Corporation will retain the services of such other individuals as may be necessary from time to time to properly conduct the business of the Corporation.

## **BUSINESS WITH BROKERS**

The Corporation secures its mortgages primarily with Brokers who seek out borrowers and provide mortgage applications to the Corporation for approval. Mortgage brokers in the Province of Saskatchewan are regulated under *The Mortgage Brokers Act* (Saskatchewan) which is administered by the Saskatchewan Financial and Consumer Affairs Authority. Mortgage Brokers in Manitoba are regulated under *The Mortgage Brokers Act* (Manitoba) which is administered by the Manitoba Securities Commission. Their activities include gathering information, assisting a borrower in completing mortgage applications and providing advice with respect to mortgage terms and interest rates.

In concert with the Corporation, Brokers will review mortgage loan applications to ensure that they meet the Corporation's lending criteria and that adequate supporting documentation has been provided by a prospective borrower. Staff of the Brokers will conduct an inspection of the property and secure a third-party appraisal, which meet a Corporation specifically approved list of appraisers.

The Brokers will primarily source loan applications and make loan submissions to the Corporation for review and approval with respect to mortgages applications.

The Brokers are engaged in a wide range of investing and other business activities which may include real property financing in direct competition with the Corporation.

The services of the Brokers are not exclusive to the Corporation. The Brokers and their respective affiliates may, at any time, engage in promoting or managing any other corporation or its investments including those that may compete directly or indirectly with the Corporation.

All fees and expenses associated with the Brokers are to be for the account of the borrower, and generally fees or expenses do not accrue to the Corporation. The Corporation will be responsible for its general administration costs, including any recovery or foreclosure costs where the security is insufficient to cover the amount of the loan and subsequent collection costs.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of the directors or officers, or any of their associates or affiliates, has a material interest, direct or indirect, in any proposed transaction that has materially affected or will materially affect the Corporation.

The Corporation has established investment policies that include that the Corporation will not loan money to, borrow money from or invest in securities of the Brokers, nor affiliates of the Corporation, the Brokers, the Agent, other non-arm's length parties, or any shareholder of the Corporation, without full disclosure and approval of the Board.

The services of the Brokers are not exclusive to the Corporation. The Brokers and their respective affiliates may, at any time, engage in promoting or managing any other corporation or its investments including those that may compete directly or indirectly with the Corporation.

## **MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the only material contract entered into by the Corporation, within the most recently completed Fiscal Year, or before the most recently completed Fiscal Year which is currently in effect, is as follows:

### **Transfer Agent, Registrar & Disbursing Agent Agreement**

Under a transfer agent, registrar & disbursing agent agreement dated November 1, 2009, Valiant Trust Company, Alberta became the registrar, transfer agent and disbursing agent for the Common Shares.

## **AUDIT COMMITTEE INFORMATION**

The Corporation has established an audit committee (the "**Audit Committee**"), which is comprised of three members chosen from amongst the members of the Board. The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the quality and integrity of financial statements to be provided to shareholders and regulatory bodies; (ii) the effectiveness of our risk management and compliance practices; (iii) the independent auditor's performance, qualifications and independence; and (iv) the performance of the internal audit function. The Audit Committee meets with the internal and external auditors and management as required.

As at March 31, 2015, the members of the Audit Committee were Douglas Frondall (Chair), Dan Anderson, and Michael Hough. All members of the Audit Committee are, for the purposes of National Instrument 52-110 - *Audit Committees*, considered to be independent and financially literate.

## **AUDIT FEES**

The Corporation was audited in 2014 and 2013 by Ernst & Young LLP ("E & Y"), of Saskatoon, Saskatchewan. Fees charged by the Corporation's auditor for the past two years are as follows:

2013     Audit - \$43,100

2014     Audit - \$63,000

## **INTEREST OF EXPERTS**

E & Y, of Saskatoon, Saskatchewan, the external auditors of the Corporation, reported on the Corporation's 2014 consolidated financial statements. At the time of preparing its report on the 2014 financial statements, E & Y was independent of the Corporation in accordance with the auditor's rules of professional conduct in Canada.

## **ADDITIONAL INFORMATION**

Additional information about PrimeWest is available on the Corporation's website at [www.primewest.ca](http://www.primewest.ca) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).