

District of Alberta
Division No. Calgary
Estate No. 25-2218907

**IN THE MATTER OF THE BANKRUPTCY OF
SUN COUNTRY MORTGAGE INVESTMENT CORPORATION**

TRUSTEE'S PRELIMINARY REPORT

BACKGROUND

1. Sun Country Mortgage Investment Corporation ("Sun Country") was assigned into bankruptcy pursuant to a Resolution of the sole director. Mr. Gerry Macdonald (Mr. Macdonald) authorizing Axxess Capital Advisors Inc. ("Axxess") the corporation's Investment Fund Manager ("IFM") to complete the assignment and execute the statement of affairs, on February 15, 2017 naming MNP Ltd. as trustee. A certificate of Appointment was issued by the Office of the Superintendent of Bankruptcy on February 16, 2017, amended on March 1, 2017.
2. Sun Country was a mortgage investment corporation that operated in Alberta. Sun Country would use Investor funds to purchase residential mortgages, on behalf of the investors, in Alberta as an investment opportunity.
3. Under the Alberta Securities Act, Mortgage Investment Corporations ("MICs") are required to engage an IFM to independently assess the investments of the MIC. From the time of incorporation, Sun Country has engaged several different parties to act as IFM. As of the date of bankruptcy, Axxess, in its capacity as Sun Country's most recent IFM, had oversight of the corporation's activities.
4. Due to various issues including property foreclosures and litigation matters brought by Sun Country's investors, Sun Country's value deteriorated. A large judgment awarded against Sun Country by an action brought forward by investors of Sun Country resulted in its current financial situation.
5. As a result of the judgment and other litigation matters, Sun Country has no ongoing operations and no ability to pay its obligations as they came due.

BOOKS AND RECORDS

6. The Trustee attended the office and warehouse location identified by Axxess and the sole director, as having books and records and took possession of the Sun Country's books and records.
7. The Trustee confirmed with Mr. Macdonald that there were no other books or records located in any other location. Axxess has advised that they are holding certain current books and records of Sun Country. Axxess confirms that those books and records are property of the Trustee on behalf of the Estate.
8. The Statement of Affairs was prepared by the Trustee based upon information obtained from Sun Country's books and records and from information provided by Axxess in its capacity as IFM of the bankrupt.

CONSERVATORY AND PROTECTIVE MEASURES

9. On the date of bankruptcy, the Trustee entered into an agreement with Access to assist the Trustee in realizing on the assets consisting of mortgages and properties of Sun Country and to assist with an eventual sale of the remaining assets.
10. The Trustee also ensured that adequate insurance was in place on the assets of Sun Country and notified the insurance company that the Trustee is to be added as loss payable on the policy in relation to Sun Country's assets.

ASSET REALIZATION AND PROJECTED DISTRIBUTION

11. As at the date of bankruptcy the realizable assets of the Bankrupt consisted of the following:

	Statement of Affairs	1	Estimated to Produce for Unsecured Creditors	
	\$		\$	
Cash	170,499		166,000	2
Cash in trust	314,108		unknown	3
Sale Proceeds in Trust	69,500		unknown	4
Fairview Ventures investment	1,000		-	5
Investment	853		unknown	6
Real Estate	3,780,000		unknown	7
	<u>4,335,960</u>		<u>unknown</u>	

NOTES:

1. The source of "Statement of Affairs" amounts is the Bankrupt's internally prepared, unaudited financial statements as at February 15, 2017. It should be noted that this value is not necessarily indicative of realizable or liquidation value.
2. The Cash balance reflects what was estimated at the time the Statement of Affairs was signed and what Servus Credit Union provided to the Trustee.
3. Cash in trust relates to proceeds from real estate transactions conducted prior to the bankruptcy assignment. Claims against those funds will be validated and paid out in accordance to the provisions within the BIA. The amount available to unsecured creditors is currently unknown.
4. Sale proceeds in trust relate to a jointly owned property 123 Forest Cres. SE in Calgary. Claims against those funds will be validated and paid out in accordance to the provisions within the BIA. The amount available to unsecured creditors is currently unknown.
5. Fairview Ventures LP was the limited partnership used by Sun Country to sell properties that were foreclosed on and repossessed by Sun Country. In exchange for the title to the foreclosed property, Sun Country received preferred share units in Fairview. The Trustee has been advised that the value of this investment is now \$0. The value of this investment was originally \$1,500,000. The Trustee will be reviewing these transactions in due course.
6. The Investment referenced is an investment at First Calgary Financial that the Trustee will be redeeming. The current value is unknown.
7. The Trustee has not yet requested current appraisals for the properties still in Sun Country's portfolio, nor has it received and assessed the claims that may exist against these properties. The amount available to unsecured creditors is currently unknown.

SUMMARY OF CLAIMS

12. Below is a summary of claims contained in the Company's Statement of Affairs and of claims received as at 8:00 am on Wednesday March 8, 2017:

Claims Filed			
Description	Per SofA	#	Dollar Amount of Claims
Secured	\$1,771,500	0	-
Preferred	-	0	-
Unsecured	\$3,734,079	8	\$3,235,724.94
Contingent	-	1	\$1,034,752.00
TOTAL	\$5,505,579	9	\$4,270,476.94

13. The Trustee is not aware of any first ranking secured claims pursuant to subsection 81.3(1) of the *Bankruptcy and Insolvency Act*.

14. The Trustee is not aware of any deemed trust claims.

LEGAL

15. Prior to this first meeting of creditors, the Trustee has retained Torys LLP as legal counsel.

REVIEW OF TRANSFERS AT UNDERVALUE

16. The Trustee is required to undertake a review for any transactions that occurred prior to the date of bankruptcy that would constitute a transfer at undervalue or a fraudulent preference as defined by subsections 95 and 96 of the *Bankruptcy and Insolvency Act*.

17. The Trustee has not yet completed its review for transfers at undervalue or fraudulent preferences.

OTHER

18. The Trustee has not been provided with a guarantee with respect to its fees and disbursements to the extent of its statutory obligations., The Trustee will be paid from assets realized in the bankrupt estate in accordance with the *Bankruptcy and Insolvency Act*.

19. Further information with respect to these proceedings will be made available on the Trustee's website (<http://mnpdebt.ca/en/corporate/Engagements/sun-country-mortgage-investment-corporation>) as it becomes available.

Dated at Calgary, Alberta this 8th day of March, 2017.

MNP Ltd.

In its capacity as Trustee of the Estate of
Sun Country Mortgage Investment Corporation, a bankrupt
And not in its personal capacity


Victor F. Kroeger, CIRP, LIT, CPA, CA, CFE
Senior Vice President