

FORM 87

NOTICE AND STATEMENT OF RECEIVER

Subsection 245(1) and 246(1) of the *Bankruptcy and Insolvency Act*

IN THE MATTER OF THE RECEIVERSHIP OF
DMD III MORTGAGE INVESTMENT CORPORATION
of the City of Calgary, in the Province of Alberta

THE RECEIVER GIVES NOTICE AND DECLARES THAT:

Effective April 4, 2017, MNP Ltd. was appointed as Receiver (the "Receiver") of the assets, undertakings and properties of DMD III Mortgage Investment Corporation. (the "Company" or "DMD III") pursuant to an order (the "Receivership Order") granted by the Court of Queen's Bench of Alberta (the "Court").

A copy of the Receivership Order can be found on our website at <http://mnpdebt.ca/dmdiii>.

BACKGROUND

The Company was incorporated in 2004. DMD III operated as a mortgage investment corporation which is an investment mechanism where funds are collected from investors and used to provide higher interest mortgages on residential properties. These types of mortgages are deemed to be high risk, high yield investments and are assessed a premium rate of interest over the rates usually charged by conventional lenders.

The decrease in values of the Alberta residential housing market over the past couple of years resulted in a high number of foreclosures on the properties securing DMD III's mortgages. Foreclosed properties were sold by DMD III, however; in many cases, the ultimate purchasers were paying less than the accumulated mortgages on the properties. This resulted in DMD III experiencing losses.

The Alberta Securities Act requires Mortgage Investment Corporations ("MICs") to engage an Investment Fund Manager ("IFM") to independently assess the investments of the MIC. Since its incorporation, DMD has engaged several IFMs to perform this role, initially CMS Financial Management, a non-arms-length party, and finally Axxess Capital Advisors, the IFM at the date of receivership. Axxess Capital Advisors reviewed the available information and made the determination that the Company was insolvent and recommended that a Receiver be appointed to allow for the orderly liquidation of the assets of DMD III for the benefit of DMD III's stakeholders. The Directors of DMD III passed a resolution consenting to the receivership and authorizing the IFM to bring the application forward.

ASSETS

Description	Estimated Net Book Value At March 31, 2017
Cash	\$ 557,832
Accounts receivable - Agreement for Sale Titled properties	unknown
Investment in First Calgary	1,280
Deposits	190,838
Total	unknown

Note: Amounts based on unaudited March 31, 2017 financial statements provided by Access Capital, DMD III's Investment Fund Manager

Cash

The Receiver served notice of its receivership on April 4, 2017 to the financial institution of record being First Calgary Financial. The Receiver is currently waiting for those funds to be delivered.

Agreements for Sale

DMD III reports to have a number of titled properties that have agreements for sale with individuals that are or were residing in its properties. These agreements are effectively rent to own contracts. Based on information provided to the Receiver, these agreements have expired and there is currently no expectation that value exists on these reported asset.

Investment in First Calgary

We have advised First Calgary of our appointment as Receiver and are discussing with them the best way to realize on this investment.

Deposits

DMD III has deposits in trust with various law firms for properties that have been sold. The Receiver has advised the law firms of the Receivership and has requested that the funds be forwarded to the Receiver so that claims to the trust monies can be addressed through the receivership process.

CREDITORS

The creditors are summarized below:

Potential secured claims on the financial statements of DMD III are:

<u>Creditor Name</u>	<u>Amount</u>
Fisgard	\$ 93,096.07
Crossroads DMD Mortgage Investment Corporation	<u>1,194,845.66</u>
Total Potential Secured	<u>\$ 1,287,941.73</u>

Note: Amounts based on unaudited March 31, 2017 financial statements provided by Axxess Capital, DMD III's Investment Fund Manager

Potential unsecured claims on the financial statements of DMD III are:

<u>Creditor Name</u>	<u>Amount</u>
Crossroads Mortgage Investment Corporation	712,148.32
CMS Financial Management	367,583.70
CMS Real Estate Ltd.	\$ 140,876.48
Promissory Notes - Crossroads Mortgage Investment Corporation	133,028.49
Sun Country Mortgage Investment Corporation	77,708.76
RMG Mortgages	1,213.51
966434 Alberta Ltd	350.00
City of Medicine Hat	327.71
Devco Ltd	217.00
Pro-Test Services Ltd	<u>217.00</u>
Total Potential Unsecured	<u>\$ 1,433,670.97</u>

Note: Amounts based on unaudited March 31, 2017 financial statements provided by Axxess Capital, DMD III's Investment Fund Manager

PLAN OF ACTION

The Receiver is in the process of determining an appropriate and orderly sale process for the properties currently owned and / or mortgaged by DMD III.

The contact person for the Receiver is as follows:

MNP Ltd.
1500, 640 – 5 Avenue SW
Calgary, AB T2P 3G4
Tel: (403) 537-8424
Attention: Rick Anderson
Email: rick.anderson@mnp.ca

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This Notice is provided for information purposes only. The Receiver will be assessing all secured claims namely title interests and mortgages held over the properties that DMD III currently owns, mortgages or has an interest in. Further information with respect to the receivership proceedings will be posted to the Receiver's website (<http://mnpdebt.ca/dmdiii>) as it becomes available.

Dated at Calgary, Alberta this 10th day of April, 2017

MNP Ltd.

In its capacity as Receiver of DMD III Mortgage Investment Corporation
and not in its personal capacity



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