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December 15, 2020

**Re: CSA Notice and Request for Comment – Proposed Amendments to NI 45-106 and Proposed Changes to CP 45-106CP Relating to the Offering Memorandum Prospectus Exemption**

Dear Sir,

We are writing you on behalf of Three Point Capital Corp., a Mortgage Investment Corporation (MIC), incorporated under the laws of B.C. which currently relies on the OM Exemption to raise capital. Three Point Capital Corp (ThreePoint) is also a member of the BC MIC Managers Association.

ThreePoint is already providing the enhanced disclosure being proposed in their OM regarding the portfolio and agree that consistency across the industry would be helpful to investors. Disclosure around the portfolio, such as investment strategy, portfolio composition and performance data are all important metrics to be considered by investors.

ThreePoint is also in favour of the enhanced “bad actor” disclosure where litigation, criminal convictions, etc involving the principals are disclosed. We believe that information is good for investors and good for the industry in general.

ThreePoint also thinks that enhanced redemption disclosure, including restrictions on redemptions, the amount of requests received and fulfilled is important information for investors. ThreePoint has been including this information in their OM since inception. The requirement of naming the source of funds might be challenging for MICs. Most of their funds flow through their bank account or line of credit and change on a daily basis. The bank account changes daily for MICs. It’s a mixture of mortgage payouts, new mortgage fundings, interest and principal payments received, share capital issuances, dividends payments, etc. I predict it will be almost impossible to name the source of funds used to pay for redemptions. I would recommend eliminating the disclosure of source of funds for redemptions requirement as I predict will be very cumbersome and fraught with inconsistent application.

The new requirement to amend an OM to include interim financial reporting when the distribution of securities is ongoing is the most material change for MICs. Currently, we understand that any time a material change has taken place, a new OM must be prepared. So it doesn’t make sense to have a requirement for a second OM in the year if there have been no material changes. Most MICs like ThreePoint, turn over their mortgage portfolio, so though the specific mortgages held may be different in six months, but generally the average mortgage size, loan to value, interest rate, geographic area, 1<sup>st</sup> mortgages vs seconds, etc remain consistent. And in fact, if there were material changes, then an additional OM is already required. But to make it mandatory to include a 6-month interim report will

just increase the cost to the investors, resulting in less of a return on their investment as offering memorandums are costly to prepare. That cost will ultimately be borne by the investor. We recommend that this change not be adopted and we keep the rules in place that require an amended OM if there are material changes to be disclosed.

One of our most concerning aspects of the amendments is the proposed Form 45-106F4 Risk Acknowledgement. Below is the proposed top of the form:

**WARNING!**

**This investment is risky. Don't invest unless you can afford to lose all of the money you pay for this investment.**

This is a very big change from what investors currently sign. There is a big difference between acknowledging that "this is a risky investment and I could lose all the money I invest" to the statement above which sounds like it is likely that you will lose all of your money.

Since February, 2020 all MICs need to raise capital through an EMD. Some of us built our own captive dealers, others made arrangements with outside EMDs. Regardless, potential investors now have to go through the suitability process before a person can invest in MIC shares. It is hard to imagine a situation for someone investing in a MIC that they could lose all of their money. A portion perhaps, but all? Very unlikely.

This amended wording (in red) at the top of the form will make capital raising very difficult, if not impossible. MICs are not high-tech start-ups or potential gold mines that exist just on ideas or hunches. MICs are secured by real property in Canada. Most of the MICs in BC have loan to values from 50-75%. There would have to be a catastrophic valuation decline in the real estate industry in order for a MIC to lose all of an investor's money.

We therefore recommend changing the proposed Risk Acknowledgement Form to eliminate the large red warning on top of the form and have the first box amended to the current warning of "This is a risky investment, and I could lose all the money I invest".

Thank you for requesting comments.

Respectfully submitted,

Three Point Capital Corp

Marylyn Needham, CPA, CA, CGA  
Vice President