

De : Sandy Bautz [<mailto:sandy@paragoncorp.ca>]

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À : 'comments@osc.gov.on.ca'; Consultation-en-cours

Objet : Comments on the Proposed Amendments to NI 45-106 NI 31-103 and 45-106CP

The Secretary

Ontario Securities Commission

20 Queen Street West

22nd Floor

Toronto, Ontario M5H 3S8

Fax: 416-593-2318

comments@osc.gov.on.ca

Me Anne-Marie Beaudoin

Corporate Secretary

Autorité des marchés financiers

800, rue du Square-Victoria, 22e étage

C.P. 246, tour de la Bourse

Montréal (Québec) H4Z 1G3

Fax : 514-864-6381

consultation-en-cours@lautorite.gc.ca

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Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Dear Sir or Madam:

Further to the March 8th, 2018 publication for comment on the proposed amendments first referenced above, I shall provide comments to the questions posed. My comments are in red.

Appraisals

1. As proposed, an appraisal would be required in all cases where a syndicated mortgage is distributed under the OM Exemption. Should there be exceptions to this requirement? For

example, should an appraisal be required if the property was acquired recently in an open market transaction with all parties acting at arm's length?

An exception may be that the property was recently acquired in a market transaction however may pose the potential for fraud or misrepresentation. The requirement must be clearly defined as to the type of appraisal and the methodology applied to ensure plain language disclosure to the investor. Highest and best use; Cost Approach; Capital Cost Analysis; and Direct Comparison – all considerations by the appraiser and the analysis thereof. The appraisal requirement ought to be limited to the OM Exemption distributions only. The syndicated mortgage industry that distributes under the Accredited Investor or Friends Family and Business Associates Exemptions, relies almost entirely on its ability to act quickly and to provide funding on a timely basis. The requirement for an appraisal could add three to six weeks to the process and most certainly negatively impact syndicated mortgage lenders.

Mortgage broker requirements

2. Are there circumstances where requiring additional disclosure by and a certificate from a mortgage broker would not be appropriate in connection with the use of the OM Exemption? If so, please explain why and whether there are other participants in the distribution that should be subject to these requirements.

Certification by a mortgage broker may not add value particularly when the licensing bodies, such as RECA in Alberta, do not have the resources for oversight.

3. Is it appropriate to require a mortgage broker to certify that it has made best efforts to ensure that the offering memorandum does not contain a misrepresentation with respect to matters that are not within its personal knowledge?

Certification by a mortgage broker may provide a false sense of security to the investor. The lack of oversight must be addressed if this is to be a requirement.

Exclusion of syndicated mortgages from the Private Issuer Exemption

4. Are there circumstances where the distribution of syndicated mortgages under the Private Issuer Exemption would be appropriate and reporting to the securities regulatory authorities would not be necessary? If so, please provide examples and explain why there are limited investor protection concerns in those circumstances.

I don't believe there are ANY circumstances where the Private Issuer Exemption would be appropriate. It appears that the biggest risks to investors come from the 'self-funding' mortgage syndicates.

Alternative prospectus exemptions

5. Should alternative prospectus exemptions be provided to facilitate the distribution of specific classes of syndicated mortgages where the investor protection concerns may not be as pronounced?

I cannot think of any.

6. Should we consider adopting an exemption for the distribution of syndicated mortgages on existing residential properties similar to the exemption for "qualified syndicated mortgages" under British Columbia Securities Commission Rule 45-501 Mortgages?

No, there is too much room for misrepresentation – existing residential properties may have a myriad of issues that detract or diminish the value.

7. Should an exemption be provided for the distribution of a syndicated mortgage to a small number of lenders on a property that is used for residential or business purposes by the mortgagor? If so, should the exemption be subject to conditions? For example, should the exemption be available only for a distribution: (i) by an individual; and/or (ii) relating to a residential property; and/or (iii) involving a specified maximum number of lenders?

No. Individuals or small groups leave more room for misrepresentation, in my opinion.

Thank you for your time and consideration.

S

Sandra A. Bautz, on behalf of:

Paragon Capital Corp. Inc., in my capacity as Mortgage Associate

ROQ Capital Partners Ltd., in my capacity as Vice-President and Chief Compliance Officer

1200 – 1015 Fourth Street SW

Calgary, AB T2R 1J4

Tel: 403 263-6446 Facs: 403 263-6445

Email: sandy@paragoncorp.ca

Direct Tel: 403 263-6447