



**NOTICE OF ANNUAL GENERAL MEETING
OF THE
SHAREHOLDERS
OF
THREE POINT CAPITAL CORP.**

TAKE NOTICE THAT the **3rd Annual General Meeting** of the Shareholders of Three Point Capital Corp. (the "Company") will be held by way of a ZOOM online conference webinar at 2:00 p.m. Thursday, April 30th, 2020 for the following purposes:

1. Receive and consider the Report of the President.
2. Receive and consider the Company's Financial Statements for the year ended December 31, 2019 together with the auditor's report thereon.
3. Appoint or, alternately, waive an auditor for the ensuing year.
4. Set the number of Directors for the ensuing year.
5. Elect Directors.
6. Transact such other business as may properly be transacted at such meeting or any adjournment thereof.

Please first register for the AGM by clicking the link provided below.

Registration: https://zoom.us/webinar/register/WN_K_Q6yJdPQdiBSZD7HsDIkA.

You will be asked to input your first and last name and email address. Once registered, you will be provided your own unique long-in details in a separate email. If you intend to have 2 of you participate on one device, please input both first names in the "First Name" box.

To help us better plan our meeting we would appreciate it if you kindly RSVP your attendance to danica@threepointcapital.ca.

If you are unable to attend the Annual General Meeting, the enclosed Proxy may be completed and returned. To be effective, the Proxy must be mailed, delivered, (Three Point Capital at #210 – 1980 Cooper Road, Kelowna, BC V1Y 8K5), faxed (250.762.3297) or e-mailed (danica@threepointcapital.ca) for receipt at least 48 hours before the time of the Meeting.

Dated this 20th day of April 2020.

BY ORDER OF THE BOARD:

A handwritten signature in black ink, appearing to read "Don Crompton", written over a white background.

DON CROMPTON
Director, Chairman of the Board

THREE POINT CAPITAL CORP.
Virtual Annual General Meeting – April 30, 2020
AGENDA

Chairman: Don Crompton

Call to Order

- 1) Welcome & Introductions
- 2) President's Message
- 3) Portfolio Report
- 4) Presentation of 2019 Audited Financial Statements
- 5) Appointment of Auditor for 2020
- 6) Setting of Number of Directors
- 7) Election of Directors
- 8) New Business, if any
- 9) Closing Remarks



Financial Statements

Three Point Capital Corp.

December 31, 2019

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Independent Auditor's Report

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To the shareholders of
Three Point Capital Corp.

Opinion

We have audited the financial statements of Three Point Capital Corp. ("the Company"), which comprise the statement of financial position as at December 31, 2019, and the statement of net income and comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Three Point Capital Corp. as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelowna, Canada
February 27, 2020

Grant Thornton LLP

Chartered Professional Accountants

Three Point Capital Corp. Statement of Financial Position

December 31

2019

2018

Assets

Cash	\$ 2,239,159	\$ -
Prepaid expenses	16,722	20,596
Mortgages receivable (Note 5)	<u>76,376,262</u>	<u>69,167,136</u>
	<u>78,632,143</u>	<u>69,187,732</u>

Liabilities

Bank indebtedness (Note 7)	-	7,581,036
Payables and accruals	194,630	173,059
Promissory notes payable	-	3,036,033
Dividends payable	<u>736,725</u>	<u>573,106</u>
	<u>931,355</u>	<u>11,363,234</u>

Shareholders' equity

Share capital (Note 8)	77,403,629	57,710,594
Retained earnings	<u>297,159</u>	<u>113,904</u>
	<u>77,700,788</u>	<u>57,824,498</u>
	<u>\$ 78,632,143</u>	<u>\$ 69,187,732</u>

Commitment (Note 11)

Post-reporting date events (Note 14)

On behalf of the Board



Director



Director

Three Point Capital Corp.

Statement of Net Income and Comprehensive Income

Year ended December 31

2019

2018

Financial income

Mortgage interest	\$ 6,355,245	\$ 5,197,158
Lender fees and penalties	<u>729,865</u>	<u>581,571</u>
	<u>7,085,110</u>	<u>5,778,729</u>

Expenses

Directors' fees	30,306	30,445
Interest and bank charges	264,778	502,474
Licences and insurance	19,079	18,611
Management fees (Note 10)	1,519,888	1,281,610
Office and administration	12,342	14,641
Professional fees	38,021	34,921
Provision for credit losses (Note 6)	75,966	210,175
Share trustee fees	<u>17,751</u>	<u>26,569</u>
	<u>1,978,131</u>	<u>2,119,446</u>

Net income and comprehensive income	<u>\$ 5,106,979</u>	<u>\$ 3,659,283</u>
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Three Point Capital Corp. Statement of Changes in Shareholders' Equity

December 31, 2019

	Share capital	Retained earnings	Total
Balance on December 31, 2017	\$ 42,531,663	\$ 13,520	\$ 42,545,183
Net income and comprehensive income	-	3,659,283	3,659,283
Dividends (Note 9)	-	(3,558,899)	(3,558,899)
Issuance of share capital:			
Dividends reinvested by shareholders	2,440,946	-	2,440,946
For cash consideration	14,871,950	-	14,871,950
Redemption of share capital	(1,711,136)	-	(1,711,136)
Share issuance costs	(422,829)	-	(422,829)
Balance on December 31, 2018	\$ 57,710,594	\$ 113,904	\$ 57,824,498
Net income and comprehensive income	-	5,106,979	5,106,979
Dividends (Note 9)	-	(4,923,724)	(4,923,724)
Issuance of share capital:			
Dividends reinvested by shareholders	3,704,564	-	3,704,564
For cash consideration	19,989,420	-	19,989,420
Redemption of share capital	(3,586,595)	-	(3,586,595)
Share issuance costs	(414,354)	-	(414,354)
Balance on December 31, 2019	\$ 77,403,629	\$ 297,159	\$ 77,700,788

Three Point Capital Corp.

Statement of Cash Flows

Year ended December 31

2019

2018

Increase (decrease) in cash

Operating activities		
Net income and comprehensive income	\$ 5,106,979	\$ 3,659,283
Adjustments for non-cash items		
Provision for credit losses	75,966	210,175
Changes in non-cash operating working capital		
Accounts receivable	-	139,830
Payables and accruals	21,571	23,781
Prepaid expenses	3,874	1,913
	<u>5,208,390</u>	<u>4,034,982</u>
Financing activities		
Issuance of share capital, net of issuance costs	19,575,066	14,449,121
Redemption of share capital	(3,586,595)	(1,711,136)
Dividends paid	(1,055,541)	(655,525)
Proceeds from promissory notes payable	3,389,080	6,364,306
Repayment of promissory notes payable	(6,425,113)	(6,757,937)
	<u>11,896,897</u>	<u>11,688,829</u>
Investing activities		
Mortgages receivable, net	(7,285,092)	(12,251,933)
Net increase in cash	<u>9,820,195</u>	<u>3,471,878</u>
Bank indebtedness, beginning of year	<u>(7,581,036)</u>	<u>(11,052,914)</u>
Cash (bank indebtedness), end of year	\$ <u>2,239,159</u>	\$ <u>(7,581,036)</u>

Supplemental cash flow information

2019

2018

Issuance of share capital in settlement of dividends payable	\$ 3,704,564	\$ 2,440,946
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Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

1. Governing legislation and nature of operations

Three Point Capital Corp. ("the Company") is incorporated under the Companies Act of British Columbia and operates as a mortgage lender primarily in Western Canada and Ontario. The Company is restricted to the guidelines of a Mortgage Investment Corporation, as defined by Section 130.1(6) of the Income Tax Act of Canada. The Company's head office is located at 210 - 1980 Cooper Road, Kelowna, Canada.

These financial statements have been approved and authorized for issue by the Board of Directors on February 27, 2020.

2. Summary of presentation and statement of compliance

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's functional and presentation currency is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification and initial measurement of financial assets

Except for trade receivables that do not contain a significant financing component, which are measured at their transaction price, all financial assets are initially measured at fair value. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost;
- fair value through other comprehensive income ("FVOCI"); or
- fair value through profit or loss ("FVTPL").

In the periods presented, the Company does not have any financial assets categorized as FVOCI or FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. The Company's mortgages receivable and cash fall into this category of financial instruments.

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

IFRS 9's impairment standards require the use of forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include all financial assets measured at amortized cost.

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third categories.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Company's financial liabilities include payables and accruals and dividends payable.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Bad debts written off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the allowance for impaired mortgages receivable, if a Stage 2 or Stage 3 allowance for impaired mortgages receivable had previously been recognized. If no allowance had been recognized, the write offs are recognized as expenses in net income and comprehensive income.

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

3. Summary of significant accounting policies (continued)

Share capital – Classification of Class A redeemable shares

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Company's net assets in the event of the Company's liquidation;
- The redeemable shares are in the class of instruments that is subordinate to all other classes of instruments;
- All redeemable shares in the class of instruments that is subordinate to all other classes of instruments have identical features;
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Company's net assets; and
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Company over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Company must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Company; and
- The effect of the substantially restricting or fixing the residual return to the redeemable shareholders.

The Company continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features, or meet all the conditions set out, to be classified as equity, the Company will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable shares subsequently have all the features and meet the conditions to be classified as equity, the Company will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

Upon the issuance of shares, the consideration received is included in equity. Transaction costs incurred by the Company in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Redeemable equity instruments reacquired by the Company and returned to treasury are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. No gain or loss is recognized in the Statement of Net Income and Comprehensive Income on the purchase, issuance or cancellation of the Company's own redeemable equity instruments.

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

3. Summary of significant accounting policies (continued)

Revenue recognition

Revenue arises mainly from interest and fees earned on mortgages receivable.

The accounting treatment for mortgage origination and renewal fees varies depending on the transaction. Significant fees that would result in an adjustment to the overall mortgage yield are capitalized and amortized using the effective interest method. Otherwise, fees are recognized in net income when earned. Mortgage prepayment fees and interest penalties are recognized in net income when received.

Standards, amendments and Interpretations not yet effective

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

4. Estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The effect of a change in an accounting estimate is recognized prospectively by including it in net income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is discussed below.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities.

In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Allowance for impaired mortgages

See Notes 5 and 6 for information regarding the allowance for impaired mortgages.

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

5. Mortgages receivable

	<u>2019</u>	<u>#</u>	<u>2018</u>	<u>#</u>
Residential mortgages				
Residential 1st mortgages	\$ 69,369,813	235	\$ 62,557,447	207
Residential 2nd mortgages	5,891,765	55	5,249,146	52
Commercial mortgages				
Commercial 1st mortgages	<u>1,559,567</u>	<u>4</u>	<u>1,739,312</u>	<u>5</u>
	<u>76,821,145</u>	<u>294</u>	69,545,905	264
Allowance for impaired mortgages (Note 6)	<u>(444,883)</u>		<u>(378,769)</u>	
	<u>\$ 76,376,262</u>		<u>\$ 69,167,136</u>	

Terms and conditions

Mortgages have a fixed rate of interest with varying maturity dates from one to two years.

The interest rates offered on fixed rate loans advanced at December 31, 2019 range from 3.00% to 13.45% (2018 – 3.00% to 12.95%).

Residential mortgages are mortgages secured by residential property and are generally repayable monthly with either blended payments of principal and interest or interest only.

Commercial mortgages consist of mortgages secured by commercial property and have various repayment terms.

Average yields to maturity

Mortgages bear interest at fixed rates with the following average yields at:

	<u>2019</u>		<u>2018</u>	
	<u>Principal</u>	<u>Yield</u>	<u>Principal</u>	<u>Yield</u>
Fixed rate due less than one year	\$ 68,151,811	8.63%	\$ 64,614,153	8.57%
Fixed rate due between one and two years	<u>8,669,334</u>	<u>8.92%</u>	<u>4,931,752</u>	8.92%
	<u>\$ 76,821,145</u>		<u>\$ 69,545,905</u>	

Credit quality of loans

It is not practical to value all collateral as at the balance sheet date due to the variety of assets and conditions. All mortgages within the mortgages receivable portfolio are secured by real property.

Fair value

The fair value of mortgages receivable at December 31, 2019 was \$76,376,262 (2018 - \$69,167,136).

The estimated fair value of the fixed rate mortgages is assumed to be equal to book value as the majority of the mortgages receivable mature within one year.

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

5. Mortgages receivable (continued)

Guarantee

The Company has been issued a corporate guarantee from Paradigm Mortgage Investment Corporation (“Paradigm”) on mortgages purchased as part of a reorganization in June 2017, to the extent of realized mortgages receivable losses up to \$1,500,000 for a period of three years from the purchase date on June 27, 2017. The guarantee is secured by a first priority general security agreement over the assets of Paradigm in favour of the Company. The guarantee applies to the performance of the 17 (2018 – 24) remaining guaranteed mortgages, which have an aggregate carrying value of \$3,725,918 (2018 - 5,264,047), of which impaired mortgages comprise \$1,053,786 at December 31, 2019 (2018 - 1,210,392). The definition of impaired mortgages is defined in Note 6.

As of December 31, 2019, \$765,298 (2018 – 396,240) of the \$1,500,000 guarantee amount had been utilized, and there is \$734,702 (2018 – 1,103,760) remaining of the guarantee. The Company believes there is adequate security underlying the impaired guaranteed mortgages and that the above noted guarantee will sufficiently cover any realized impairment losses on the guaranteed mortgages.

Mortgage principal refund

The Company has agreed to refund to Paradigm, in cash, the difference between the final mortgage principal payout amount received by the Company, and the net book value, as of the purchase date, of the mortgages purchased in the case that the mortgages are paid out in excess of their original purchase price. As at December 31, 2019, \$139,051 (2018 – 127,354) of refunds have been made to Paradigm in aggregate.

6. Allowance for impaired mortgages

The Company classifies a mortgage as impaired when one or more loss events have occurred, such as bankruptcy, default or delinquency. Mortgages are in default when the borrower is at least one day past due on payments towards the mortgage. However, generally, mortgages are classified as delinquent when payment is contractually 60 days past due or another event of default has been noted, such as a missed deadline for providing documentation or a deterioration in communication with the borrower. Generally, mortgages are classified as impaired when they have already been identified as delinquent, and there are impending losses expected upon final resolution of the mortgage.

For the purpose of measuring the amount to be written off, the determination of the recoverable amount includes an estimate of future recoveries.

A mortgage will be reclassified to performing status when the Company determines that there is reasonable assurance of full and timely repayment of interest and principal in accordance with the terms and conditions of the mortgage, and that none of the criteria for classification of the mortgage as impaired continue to apply.

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

6. Allowance for impaired mortgages (continued)

Once a mortgage is identified as impaired, the Company continues to recognize interest income based on the original effective interest rate on the mortgage amount net of its related allowance. In the periods following the recognition of impairment, adjustments to the allowance for these mortgages reflecting the time value of money are recognized and presented as interest income.

Total allowance for impaired mortgages as at December 31, 2019:

	<u>2019</u>			
	Stage 1	Stage 2	Stage 3	Total
Mortgages				
Allowance for credit losses	\$ 367,511	\$ 17,372	\$ 60,000	\$ 444,883
Carrying amount	<u>\$ 74,541,675</u>	<u>\$ 1,104,580</u>	<u>\$ 1,174,890</u>	<u>\$ 76,821,145</u>

The following table shows the continuity in the allowance for impaired mortgages for the year:

	January 1, 2019 Beginning <u>balance</u>	<u>Write-offs</u>	Provisions (recoveries)	December 31, 2019 Ending <u>balance</u>
Mortgages				
Stage 1	\$ 329,222	\$ -	\$ 38,289	\$ 367,511
Stage 2	9,547	-	7,825	17,372
Stage 3	<u>40,000</u>	<u>-</u>	<u>20,000</u>	<u>60,000</u>
Total provision	<u>\$ 378,769</u>	<u>\$ -</u>	<u>\$ 66,114</u>	<u>\$ 444,883</u>
Percentage of total mortgages and accrued interest	<u>0.54%</u>			<u>0.58%</u>

In addition to the adjustments to the above noted provisions, during the year \$9,852 was directly written off to the provision for credit losses (2018 - \$17,329).

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

6. Allowance for impaired mortgages (continued)

Key inputs and assumptions

The measurement of expected credit losses is a complex calculation that involves a large number of interrelated inputs and assumptions. The key drivers of changes in the expected credit losses include the following:

Probability of default ("PD")

Probability of default is a forward-looking estimate of the realized default rate over either a 12-month or lifetime time horizon. It determines the probability a financial asset will default over the period considered.

The PD of the portfolio is based on the Company's historical default data, in addition to forward-looking data indicating relative economic strengths and weaknesses in particular geographic areas in which the Company lends.

Exposure at default ("EAD")

EAD is a forward-looking estimate of the realized EAD. It determines the proportion of a mortgage that will be in default if the account defaults over its expected remaining lifetime. These inputs include:

- The current outstanding balance of the mortgage at the reporting date;
- The payment amounts, assumed to be constant; and
- The interest rate paid per payment period.

The EAD for an amortizing mortgage decreases as payments are received. For mortgages that are only required to pay principal and interest by the end of the project or at other non-constant intervals, the EAD is assumed to be the outstanding balance at the reporting date.

For all mortgages, the assumptions are to be provided by the Company.

Loss given default ("LGD")

LGD is the proportion of the defaulted balance that is considered an accounting loss following a recovery period. Accounts that are not in default as at an observation point, but subsequently default within a given time horizon, are used to develop LGD estimates for non-defaulted exposures.

12-month LGD only considers losses related to default events that occur in the 12-month time horizon following the observation date. For lifetime, LGD is estimated over the subsequent 12-month time horizons.

Estimating the LGD requires:

- Estimating the exposure at default, which is done as noted above; and
- Estimating the net proceeds from the liquidation of the property.

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

6. Allowance for impaired mortgages (continued)

Key inputs and assumptions (continued)

Loss given default ("LGD") (continued)

For residential and commercial mortgages, estimating the net proceeds from the liquidation of the property considers the following:

- The value of the property at its last valuation date;
- The type and use of property – single family, multi-family, condo, or other;
- The average regional property value; and
- The expected costs to liquidate the property, including commissions, legal, and others.

The recovered amount of uncollateralized exposure is calculated using the Company's historical mortgage loss percentages for each category of mortgages within the portfolio.

Staging

Changes in staging occur when there has been an increase in credit risk of a mortgage since its origination. This may include various types of loss events, such as bankruptcy, default or delinquency. This may also include other external indicators of potential loss on mortgages within a certain geographic area, commercial mortgages within a certain industry, or other non-mortgage specific indicators.

- In addition, the portfolio is assessed to determine if there are further concerns about specific mortgages which are currently not delinquent but are deemed impaired due to individual circumstances with the borrower or underlying security.
- The Company's expected credit loss model takes into account the probability of default and assumed loss given default on residential and commercial mortgages based on the historical portfolio to determine the present value of 12 month expected credit losses.

Lifetime

The lifetime of a residential or commercial mortgage is based on the contractual term of the mortgage.

Forward-looking information

The Company's expected credit loss model takes into consideration forward-looking information as follows:

- Residential mortgage LGD – Collateral value adjustments based on local and regional economic factors.
 - Residential and commercial mortgage PD and LGD – Relationships with macroeconomic drivers such as interest rates, banking and other financial institution regulations, and economic indicators.
-

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

7. Bank indebtedness

The Company has a demand credit facility with TD Bank for an authorized amount totalling \$25,000,000 (2018 - \$25,000,000). Under the facility agreement, the Company could either borrow demand loans at bank prime rate plus 1.00% or use banker's acceptances at the banker's acceptance rate plus a stamping fee of 2.40% per annum. As at December 31, 2019, the outstanding facility balance is \$nil (2018 - \$7,481,665), excluding outstanding cheques and deposits in transit, at an effective interest rate of 4.95% (2018 - 4.95%) with outstanding banker's acceptances of \$nil (2018 - \$nil).

As security for the bank indebtedness, the Company has provided the following:

- a general security agreement
- an assignment of certain mortgages

Under the Company's bank credit facilities, the Company is required to comply with certain financial covenants including a borrowing base condition, a quarterly debt to tangible net worth requirement and a quarterly interest coverage requirement. At December 31, 2019, the Company is in compliance with these covenants.

8. Share capital

Authorized

Unlimited Class A voting common shares with a par value of \$1
Unlimited Class B-F voting common shares with no par value

	<u>2019</u>	<u>2018</u>
Issued		
78,319,904 (2018 - 58,212,515) Class A shares	<u>\$ 77,403,629</u>	<u>\$ 57,710,594</u>

Cumulative share issuance costs of \$916,275 (2018 - \$501,921) have been deducted from Class A shares.

All shares are equally eligible to receive dividends and the repayment of capital and each represents one vote at the shareholders meeting.

During the year, 19,989,420 (2018 - 14,871,950) Class A common voting shares were issued for consideration of \$19,989,420 (2018 - \$14,871,950); 3,704,564 (2018 - 2,440,946) Class A common voting shares were issued in settlement of dividends payable in the amount of \$3,704,564 (2018 - \$2,440,946); 3,586,595 (2018 - 1,711,136) Class A common voting shares were redeemed by the Company for cash consideration of \$3,586,595 (2018 - \$1,711,136).

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

9. Amount available for dividend distribution

The Company follows the practice of declaring dividends at the end of the fiscal year in an amount at least sufficient to remain non-taxable under the provisions of the Canadian Income Tax Act related to Mortgage Investment Corporations. The following table reconciles the amount of dividends declared under the Income Tax Act provisions:

	<u>2019</u>	<u>2018</u>
Net and comprehensive income	\$ 5,106,979	\$ 3,659,283
Less: share issuance costs deductible for tax purposes	<u>(183,255)</u>	<u>(100,384)</u>
Dividends declared	<u>\$ 4,923,724</u>	<u>\$ 3,558,899</u>

10. Related party transactions

The Company's related parties, which are defined by IAS 24 *Related Party Disclosures*, include:

- Paradigm Mortgage Investment Corp. ("Paradigm"), a company under common control;
- Three Point Capital Management Corp., a company under common management control;
- Three Point Capital Marketing Corp., a company under common management control;
- Three Point Capital Wealth Management Inc., a company under common management control; and
- Key management and their immediate family, as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received, except as disclosed in Note 5. Outstanding balances noted below are unsecured and usually settled in cash.

The Company entered into the following transactions with the above noted related parties:

The Company has entered into a management agreement to receive marketing, fundraising, and administrative services from Three Point Capital Management Corp. The management fee related to these services is based on the balance of the net mortgages receivable. Management fees incurred during the year were \$1,519,888 (2018 – \$1,281,610) with management and other fees payable of \$154,248 (2018 - \$130,125) included in payables and accruals. Directly attributable share issuance costs, including share administration and commissions, incurred and deducted from share capital during the year were \$352,418 (2018 – \$385,889).

As at December 31, 2019, key management personnel, directors, and their immediate family held 11,039,018 (2018 – 8,730,043) Class A shares of the Company, \$nil (2018 - \$129,969) of term promissory notes, and \$nil (2018 - \$248,838) of demand promissory notes.

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

11. Commitment

In the normal course of business and as at December 31, 2019, the Company has committed and approved mortgages of \$4,576,728 (2018 - \$4,099,167) which have not yet been funded. The mortgages are expected to be fully advanced subsequent to December 31, 2019.

12. Financial instrument risk management

General objectives, policies, and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counter party to honour its financial or contractual obligation to the Company. Credit risk primarily arises from mortgages receivable. Management and the Board of Directors reviews and updates the credit risk policy annually. The maximum exposure of the Company to credit risk before taking into account any collateral held is the carrying amount of the loans as disclosed on the statement of financial position.

Concentration of credit risk exists if a number of borrowers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Company's performance to developments affecting a particular segment of borrowers or geographic region. Geographic risk is mitigated in that the company lends to all provinces in Western Canada, as well as in Ontario.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Company takes into consideration the borrower's character, ability to pay, and value of collateral available to secure the loan.

The Company's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

12. Financial instrument risk management (continued)

Credit risk (continued)

The Company's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General mortgage policy statements including approval of lending policies, eligibility for loans, exceptions to policy, policy violations, liquidity, and loan administration;
- Mortgage lending limits including Board of Director limits, schedule of assigned limits and exemptions from aggregate indebtedness;
- Mortgage collateral security classifications which set loan classifications, advance ratios and amortization periods;
- Procedures outlining loan overdrafts, release or substitution of collateral, temporary suspension of payments and loan renegotiations;
- Mortgage delinquency controls regarding procedures followed for loans in arrears; and
- Internal audit procedures and processes for the Company's lending activities.

With respect to credit risk, the Board of Directors receives monthly reports summarizing new mortgages, delinquent loans and overdraft utilization. The Board of Directors also receives an analysis of bad debts and allowance for impaired mortgages receivable quarterly.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's management oversees the Company's liquidity risk to ensure the Company has access to enough readily available funds to cover its financial obligations as they come due. The Company's business requires such capital for operating and regulatory purposes.

The assessment of the Company's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective Company specific and market conditions and the related behaviour of its shareholders and counterparties.

The Company manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities;
- Monitoring the maturity profiles of financial assets and liabilities; and
- Monitoring the liquidity ratios monthly.

The Board of Directors receives monthly liquidity reports as well as information regarding cash and bank indebtedness balances in order for it to monitor the Company's liquidity framework.

(continued)

Three Point Capital Corp.

Notes to the Financial Statements

December 31, 2019

12. Financial instrument risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Company segregates market risk into two categories: fair value risk and interest rate risk. The Company is not significantly exposed to currency risk or other price risk.

- **Fair value risk**

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The Company incurs fair value risk primarily on its mortgages receivable held. The Company does not hedge its fair value risk.

- **Interest rate risk**

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company incurs interest rate risk on its mortgages receivable, bank indebtedness, promissory notes payable and other interest bearing financial instruments. The Company manages its interest rate risk by ensuring that mortgages receivable are mostly offered on terms not exceeding one year. This enables the Company to match changes in market interest rates through changes to the interest rates it offers to borrowers upon renewal.

13. Capital management

The Company defines capital as bank indebtedness and share capital. The capital management objectives of the Company are to retain adequate capital resources to support its working capital needs, business and growth strategy and build long term shareholder value.

The Company's credit facilities are reviewed annually to ensure sufficient funds are available to meet operational needs as well as capital requirements (see Note 7).

14. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

THREE POINT CAPITAL CORP.
Board of Directors Nomination Report

March 4, 2020

On behalf of the Shareholders of Three Point Capital Corp. (TPC), I would like to thank our existing directors for their service over the past year. We have a strong group of dedicated and knowledgeable individuals that invest much time, effort, and expertise on behalf of the shareholders. They have served with commitment and excellence this past year and I am grateful that they are willing to stand for the 2020 fiscal year.

Establishing the Number of Directors:

Each year, the shareholders set the number of Directors for the upcoming year. Because of their varied experience and the meaningful contributions each of them make as well as their involvement in ThreePoint since its inception, the existing Board is well versed in the issues at hand and I believe the fund and all TPC investors will be well served at this time in re-electing the existing Board for the ensuing year with the addition of a new 8th Board Member.

Following are brief bios on each of the eight (8) nominees:

	<p>Francis Braam</p> <p>Francis Braam is a co-owner of Royal LePage Kelowna. He has been a Director of the Okanagan Mainline Real Estate Board and past Chair of the Real Estate Brokers Council of BC. Francis has been an investor and Director of TPC since it's inception.</p>
	<p>Don Crompton</p> <p>Don Crompton is the Chairman of the Board of ThreePoint. He has been an investor and director of ThreePoint since its inception. He is a partner in the TPC Management Company and his working career has included 25 years in real estate and 10 years as the Canadian Director of Young Life of Canada.</p>
	<p>Duncan Kippan</p> <p>Duncan Kippan is a retired real estate agent having served the Okanagan Valley for 45 years. He has been an investor and Director of TPC since its inception. Duncan is actively involved in the Kelowna community including numerous recreational endeavors.</p>



Alan MacKenzie

Alan MacKenzie retired in December 2017 after 28 years as a Financial Planner with Sun Life Financial in Kelowna. He is actively involved in the local and global community with several charitable organizations. He has been a TPC investor and Director since its inception.



Rick Pushor

Rick Pushor was a founding partner of Kelowna law firm Pushor Mitchell LLP and has now retired from law practice but continues to be involved in the business community of Kelowna. He has been an investor and Director of TPC since its inception.



Grant Turik

Grant Turik is a licensed realtor with Royal LePage Kelowna and has served the Okanagan community for 28 years. He has been a TPC investor and Director since its inception.



Joe Ungaro

Joe Ungaro has been licensed as a realtor in Kelowna since 1980 and is presently with Royal LePage Kelowna. He has been a TPC investor and Director since its inception.



Ruth Benedict

Ruth began her career in Calgary working for a collection agency, then moving on to the Finance Department of a midsize oil company. She moved to Kelowna in 2002 and made the decision to focus on her own management company, managing her own portfolio of residential real estate. Ruth was then approached by Home Loans Canada (a division of CIBC) to manage their BC team of mortgage specialists, which she did until March 2008. During that time Ruth completed the BC Mortgage Brokers course. Since then, she has been semi-retired, managing her own portfolio of various interests. With her wide range of experience, interests, and strong background in credit, lending and collections, Ruth will be a strong asset to the Three Point Capital Corp. Board.

Further to the Notice of Annual General Meeting dated February 28, 2020, the following motions will be put forward at the AGM:

#1:

That the number of Directors for the period March 12, 2020 to the date of the 2021 Annual General Meeting be set at eight (8);

#2:

That Francis Braam, Don Crompton, Duncan Kippan, Alan MacKenzie, Rick Pushor, Grant Turik, Joe Ungaro and Ruth Benedict each be elected for a one-year term (for the period March 12, 2020 to the date of the 2020 Annual General Meeting) as Directors of ThreePoint Capital Corp.

Respectfully submitted,



Don Crompton, TPC Director

Criteria for Three Point Capital Board Membership

- A person of strong character and reputation
- A person with life experience and abilities that permit them to make a contribution at the Board level
- Willing and able to devote meaningful time to Board service including attending Board meetings
- Reasonable accessibility to the management of Three Point Capital as may be required from time to time
- Availability to sign required TPC documentation
- A shareholder in Three Point Capital Corp.

**MINUTES OF THE MARCH 13, 2019 ANNUAL GENERAL MEETING
OF THE SHAREHOLDERS OF
THREEPOINT CAPITAL CORP.
(the “Company”)**

CALL TO ORDER

The 2nd Annual General Meeting of the shareholders of ThreePoint Capital Corp. was called to order at 5:00 p.m., Wednesday, March 13, 2019 at the Kelowna Golf & Country Club – 1297 Glenmore Road, Kelowna, B.C. with Don Crompton chairing the meeting. The Chairman confirmed that the necessary notice of meeting had been duly sent to all shareholders on February 15, 2019. Over 23,436,624 or 37% of outstanding shares represented either in person or by proxy. 67 people were in attendance including shareholders, guests, and associates. Notice of the Meeting having been duly given and a quorum of shareholders of the Company being present, the Chairman declared the Meeting to have been properly called and duly constituted for the transaction of business.

INTRODUCTIONS

PRESENTED BY: DON CROMPTON, Chair

Don introduced the Company’s Directors and business partners including auditors from Grant Thornton, and TD Bank representative. Don also acknowledged the ThreePoint team.

2019 PRESIDENT’S MESSAGE

PRESENTED BY: RYAN LEE, President, ThreePoint Capital Corp.

Ryan thanked everyone for attending and provided an overview of the 2018 fiscal period and a look ahead at what to expect in 2019.

PORTFOLIO REPORT

PRESENTED BY: BRAD GRAHAM, Chief Credit Officer & Portfolio Manager, ThreePoint Capital Corp.

Brad provided an overview of the ThreePoint portfolio and summarized the mortgages funded, mortgage payouts and delinquent files during the fiscal period.

2018 AUDITED FINANCIAL STATEMENTS

PRESENTED BY: MARYLYN NEEDHAM, CFO, ThreePoint Capital Corp.

Marylyn provided a review of the Statement of Financial Position, Statement of Net Income, Expenses, and Comprehensive Income and Statement of Changes in Shareholders’ Equity.

APPOINTMENT OF AUDITORS FOR 2019

Motion #1:

To appoint Grant Thornton, Chartered Professional Accountants as auditors for the 2019 fiscal year.

UPON MOTION duly made (Marylyn Needham), seconded (Dale McKenzie) and unanimously carried, IT WAS RESOLVED THAT Grant Thornton LLP, Chartered Professional Accountants, of Vancouver, British Columbia, be appointed the Company's auditors for the ensuing financial.

Floor opened to questions regarding the financial statements:

Q: Any costs for getting into the Ontario Market? (Dale McKenzie)

A: Yes, there were legal fees of approximately \$3-4,000. Registration and Licencing fees were paid by the management company not the MIC.

Q: Why is there such a difference in the management fees 2017 vs 2018? (Gary Denton)

A: 2017 was only for a six-month period and 2018 was for a full year.

Marylyn then provided an update to shareholders.

Regulatory changes have now been legislated which will require shares to be purchased through and Exempt Market Dealer EMD. This will be done internally and the application for registration as an EMD was submitted by February 15, 2019. This will mean that in the future "Know Your Client" forms will be required to be completed by any investor purchasing additional shares (does not apply to reinvested dividends).

New investment statement formats. We will shortly be implementing new software called Exempt Edge which will provide access to shareholder statements electronically (they will also continue to be available in hard copy).

SETTING OF NUMBER OF DIRECTORS FOR 2019

PRESENTED BY: DON CROMPTON, Chair

The Company's Articles require that at each Annual General Meeting the Shareholders set the number of Directors for the next year. The Board recommends that the number of Directors for the ensuing year be set at seven (7).

Motion #:2

Resolve that the number of Directors for the ensuing year be set at seven (7).

UPON MOTION duly made (Don Crompton), seconded (Peter Van Genne) and unanimously carried, IT WAS RESOLVED THAT the number of directors for the period March 13, 2019 to the date of the 2020 Annual General Meeting be set at seven (7).

ELECTION OF DIRECTORS

PRESENTED BY: DON CROMPTON, Chair.

Don thanked the incumbent Directors for their commitment of time and expertise. The nominating committee recommends that the existing seven incumbent Directors be elected for a one-year term.

Motion #:3

That Francis Braam, Don Crompton, Duncan Kippan, Alan MacKenzie, Rick Pushor, Grant Turik and Joe Ungaro be elected for a one-year term (for the period March 13, 2019 to the date of the 2020 Annual General Meeting) as Directors of ThreePoint Capital Corp.

UPON MOTION duly made (Don Crompton), seconded (Gary Denton) and unanimously carried, IT WAS RESOLVED THAT nominations for the election of directors be closed, and that Francis Braam, Don Crompton, Duncan Kippan, Alan MacKenzie, Rick Pushor, Grant Turik and Joe Ungaro be elected for a one-year term (for the period March 13, 2019 to the date of the 2020 Annual General Meeting) as Directors of ThreePoint Capital Corp.

Floor opened to any additional questions:

Q: Not a question but a Thank you to the Directors for their service, work and dedication. (Peter Van Genne)

Q: Earlier you spoke about the Paradigm (PMIC) Guaranteed Loans, can you explain what that is? (Gary Denton)

A: Three Point purchased mortgages from PMIC, not all the mortgages met the Three Point Lending Guidelines, these mortgages are subject to a Guarantee by PMIC, PMIC will reimburse Three Point for any losses, and, if a future recovery occurs, Three Point will pay the recovery back to PMIC.

Q: For the new rules coming out, will forms need to be signed when we want to reinvest or put dividends back in? (Gary Denton)

A: Dividends that are reinvested are not subject to the new EMD rules, reinvestment of dividends does not require the use of an EMD, only when there is new capital being invested (new subscription agreement) do we need to use an EMD.

Q: Why only 1-year terms for the directors and not 2? (Ted Schoepp)

A: Three Point Articles specify that directors' terms are to be one year. It would be costly to have these articles changed, would involve a Special Meeting as well as legal fees. We will work to ensure that we don't have mass turnover of Directors in any given year.

Q: How are we developing our sources of business in the Ontario Markets? (Dale McKenzie)

A: We are using our broker community channels in Ontario, Brad is attending conferences, using our appraisers who have been referred by our legal partner. Ryan used to live in Ontario, we are being selective on our price points, Ottawa to Niagara regions, won't be lending on downtown Toronto condos. Competitors have also helped us enter the market and we have good real estate connections in London and Mississauga.

CLOSING REMARKS

PRESENTED BY: DON CROMPTON, Chair

Don thanked everyone for coming.

ADJOURNMENT

There being no further business, UPON MOTION duly made and carried, IT WAS RESOLVED THAT the Meeting be terminated. The meeting was adjourned at 5:55 p.m.

DON CROMPTON