

Frequently Asked Questions

1. WHAT IS A MORTGAGE INVESTMENT CORPORATION (MIC)?

Mortgage Investment Corporations are companies incorporated under the Canada Business Corporations Act, which allow individuals to invest in a pool of mortgages for which they receive income by way of dividends. The pool is continuously managed with new mortgages replacing mortgages that mature. MICs are governed by the Canadian Income Tax Act and can distribute profits to shareholders without payment of corporate income tax. In order to qualify, each MIC has to be at least 50% invested in residential mortgages on Canadian property.

2. WHO INVESTS IN MICs?

MICs are ideal for investors who want to invest in the real estate market through the stability of mortgages, but who want their investment to be chosen and managed by professionals with a solid understanding of this industry. An investment in a MIC offers investors the opportunity to participate in a diversified pool of mortgage loans. Each MIC is comprised of a well balanced mix of mortgages that are diversified by both asset class and geography. These investments also offer a stable income stream for investors, providing for either monthly or quarterly income or dividend reinvestment.

3. HOW DO I EARN RETURNS?

Interest earned on mortgages, after payment of fund costs, are distributed to shareholders according to their proportional interest in each Fund. Investors earn a blended rate of return based on the interest each Fund receives from the respective mortgages that make up the Fund. Essentially, each Fund operates like a mutual fund, but instead of being invested in shares of multiple corporations, we are invested in a diversified pool of mortgages. Some mortgages within the Fund will earn a higher rate of return (interest) than others based on a variety of factors.

4. ARE MICS RRSP AND RRIF ELIGIBLE?

Yes, MICs are fully qualified under Canadian Income Tax legislation.

5. HOW DO I PURCHASE SHARES IN THE FUNDS?

Each Fund is sold by way of an offering memorandum. A copy of the offering memorandum can be obtained from this web site or by calling your Investment Advisor or our Investor Relations representative at (604) 608-2717.

6. IS THERE A MINIMUM INVESTMENT?

Yes, \$25,000 is the minimum investment required.

7. WHAT IS THE LIQUIDITY OF THE FUNDS?

An option to redeem exists in each fund at book value plus accrued interest with notice provisions.



8. CAN I REDEEM MY SHARES AT ANY TIME?

No. Investments in MIC's are not considered liquid investments. We try and keep 100% of the shareholders funds invested at all times in mortgages. In order to meet requests for redemption we need advance notice so that when the next investment comes due we do not re-invest the funds. Each Fund has a contractual retraction notice period outlined in the offering memorandum. The directors will try and accommodate a shareholders request as liquidity permits but investors should always make their investment decisions based upon the contractual retraction requirement of the Fund.

9. CAN I SELL/TRANSFER/TRADE MY SHARES?

No. The MIC's are private companies and shares cannot be sold, traded or transferred except under the following circumstances:

- Shares can be transferred between a shareholder and the shareholders RSP,RIF,IPP or personal holding company.
- Shares can be transferred from sole ownership to joint ownership with a spouse or child
- Shares can be transferred from one RSP/RIF trustee to another RSP/RIF trustee provided the beneficial owner remains unchanged.
- Shares can be transferred to another person upon the death of the shareholder and receipt of appropriate documentation from the executor of the estate.

A processing fee of \$75 is applicable and must accompany any requests to re-register shares.

10. WHAT IS THE KEY DIFFERENCE BETWEEN A MIC AND A SYNDICATED LOAN?

A MIC is an investment in a portfolio of mortgages, whereas mortgage loan syndication is a group of investors investing in a single mortgage. A syndicated mortgage is more hands-on than an investment in a MIC because the investor is directly involved in selecting a specific project to invest in.

11. CAN I HAVE MY DIVIDENDS DEPOSITED DIRECTLY TO MY BANK ACCOUNT?

Yes- investors who have elected to receive their dividends in cash can have the dividend deposited directly to their bank account (often referred to as EFT payments). Investors can make this selection whenever they are subscribing for shares. If an investor had previously elected to receive a cheque payment they can change to EFT simply by sending us a note requesting the change and enclosing a "void" copy of a cheque for the account into which they want the dividends deposited.

12. ARE SHARES LISTED ON THE STOCK EXCHANGE?

No – The MIC's are private companies and shares cannot be traded.

13. WHY ARE MIC DIVIDENDS REPORTED AS INTEREST INCOME ON MY T5?

MIC's have a special status under the Income Tax Act. The Act provides that the MIC can pass 100% of its income along to shareholders without payment of corporate income taxes.



14. ARE THE RATES OF RETURN GUARANTEED?

No. This is not a GIC or Bond investment. The yield is determined entirely by the performance of the investments in the fund.

15. IS MY PRINCIPAL GUARANTEED?

No. Your investment is secured by the mortgages held by the fund and there is always risk associated with this type of investment. It is our business to manage risk on behalf of our investors and we have had a successful.

16. ARE THERE ANY FEES OR CHARGES TO PAY?

There are no fees or charges applicable for the purchase of shares. Fees are applicable for the following transactions:

- \$100 fee to process a redemption where the shares have been held for less than 2 years.
- \$100 to issue a replacement share certificate where the original certificate has been lost or destroyed.
- \$75 to change the registered owner of the shares (when permitted)

17. HOW CAN I LEARN MORE?

Your financial planner is an ideal person to explain the benefits of diversifying your portfolio with Bancorp, or you can call our Investor Relations representative directly.

18. Bancorp Financial Services Inc.

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