

Frequently Asked Questions

What is a MIC? Mortgage investment corporations are regulated by the Income Tax Act, Section 130.1. Investors purchase shares. The pooled investments are then used to fund mortgages. The interest paid on the mortgages creates the revenue, which is paid to investors. The corporation is tax exempt, with 100% of the net income distributed to the shareholders. This results in the highest maximum possible return.

How secure is my investment? CMIC First loans are registered as first mortgages on residential properties, primarily in the GVRD and other major centres in BC. This is a market you know. These are houses you may drive by. Market values may decrease without affecting the security, as we only lend to a maximum of 65% of the appraised property value. As we have seen, market value decreases are soon followed by increases, and the resulting security *just gets better*.

What is the minimum investment? \$25,000 is the minimum to open an account. Additional investments may be added in increments of \$5,000 or more.

Can I use RRSP funds? Yes. You may purchase shares from your self-directed registered accounts at either Canadian Western Trust or North Shore Credit Union. See our website for more information.

Who is the manager? Cove Mortgage Ltd, established in 1976, is one of British Columbia's largest and most active private lending firms. Cove's collective experience and outstanding service makes it a leader in the private lending sector. Cove has long-standing relationships with numerous mortgage referral partners, which ensure a steady source of new mortgage opportunities.

Are there any fees? No standard fees will be charged to your account. If you invest through your RRSP, your Trustee will have transaction and annual fees.

Can I transfer from one MIC to the other? No, the two MICs are separate and distinct. Redemption of shares from one MIC is subject to redemption rules and availability of cash, and the purchase of shares in the other MIC is subject to demand. This is unlikely to be seamless.

What happens when a mortgage goes into foreclosure? Defaults and foreclosures are a normal part of the private mortgage lending business. We have experienced staff that work closely with respected foreclosure lawyers to find solutions. Defaults and foreclosure do not mean there will be a loss. *There is often a full recovery of all principal, interest, and expenses, with no adverse effect to the return.*

How do I get paid? Dividends may be reinvested. If you prefer your dividends paid to you, they will be mailed to you with your quarterly statements.

How do I get my money out? Redemption requests are handled in the sequence received. As cash is generally tied up in 1 or 2 year term mortgages, there may be up to a 6 month wait for cash to become available. CMIC First redemptions made within the first 2 years of the initial investment are subject to a 2% fee. See section 9.4 Retraction and Redemption Rights of the Offering Memorandum for further details.

How will my income be taxed? Income from MICs is classed as Interest Income (not as dividends).

Is my money insured by Canadian Deposit Insurance Corporation ("CDIC") No. CDIC insures *cash* and *GIC savings* at most Canadian chartered banks and trust companies. Your security is provided by mortgages registered on real estate.

What kind of reporting will I get? You will receive a quarterly statement in the mail, which will include some comments on the market or returns.

Where can I get financial statements? All MICs must undergo an independent annual audit. This ensures that the corporation is operating in compliance of tax law and within the restrictions defined in the Offering Memorandum. Audited financial statements are posted on Cove's website.

Is my investment locked in? No. You can request a redemption at any time. However, there is a 2% fee if you redeem CMIC First shares within the first 2 years of the investment.

How do I get started? Please call 604-929-8156 to arrange an appointment. Prior to your appointment, please view our Subscription Agreement on our website, www.covemortgage.com or you can call 604-929-8156 to receive a printed copy.