

Builder's Capital

Real Estate Investing



What is a MIC (Mortgage Investment Corp)?



- Minimum 20 shareholders.
- No shareholder may hold more than 25% of the MIC's total capital
- At least 50% of assets must be residential mortgages, and/or cash and insured deposits at Canada Deposit Insurance Corporation member financial institutions
- Invest up to 25% of its assets directly in real estate, but may not develop land or engage in construction unless real estate is acquired as a result of mortgage default
- A MIC is a flow-through investment vehicle, it distributes 100% of net income to its shareholders
- All investments must be in Canada, but a MIC may accept investment capital from outside of Canada
- A MIC is a tax-exempt corporation
- Dividends received with respect to directly held shares, not held within RRSPs or RRIFs, are taxed as interest income in the shareholder's hands
- MIC shares are qualified RRSP and RRIF investments
- Annual financial statements must be audited.



RISK

RISK TYPES

- **Market Risk**

Value proposition decreases during term of mortgage

- **Client Risk**

Job loss, divorce, illness

- **Security Risk**

House degenerates, grow op, poor construction practices

- **Valuation Risk**

Property value not correctly assessed, construction difficult to evaluate with a partially completed property without knowing about construction



RISK CONT'



Solution:

DYNAMIC RISK MANAGEMENT

- **1 year terms**
- **Know markets**
- **Place security in macro market to identify funds**

BCMIC RETURNS



Annualized Returns

2006-2009

2006

- Q1 13.00%
- Q2 12.76%
- Q3 13.06%
- Q4 15.93%
- Average return 2006
13.69%

2007

- Q1 12.39%
- Q2 13.06%
- Q3 13.05%
- Q4 13.49%
- Average return 2007
13.00%

- **LIFETIME RETURN 11.90%**

2008

- Q1 13.01%
- Q2 13.19%
- Q3 13.06%
- Q4 13.01%
- Average return 2008
13.07%

2009

- Q1 8.07%
- Q2 7.65%
- Q3 8.13%
- Q4 7.55%
- Average return 2009
7.85%