INCOME TAX ACT

Income Tax Act, Section 130.1: Salient Rules

1. A Mortgage Investment Corporation must have at least 20 shareholders.

2. A MIC is generally widely held. No shareholder may hold more than 25% of the MIC's total capital.

3. At least 50% of a MIC's assets must be comprised of residential mortgages, and/or cash and insured deposits at Canada Deposit Insurance Corporation member financial institutions.

4. A MIC may invest up to 25% of its assets directly in real estate, but may not develop land or engage in construction. This ceiling on real estate holdings does not include real estate acquired as a result of mortgage default.

5. A MIC is a flow-through investment vehicle, and distributes 100% of its net income to its shareholders.

6. All MIC investments must be in Canada, but a MIC may accept investment capital from outside of Canada.

7. A MIC is a tax-exempt corporation.

8. Dividends received with respect to directly held shares, not held within RRSPs or RRIFs, are taxed as interest income in the shareholder's hands. Dividends may be received in the form of cash, or additional shares

9. MIC shares are qualified RRSP and RRIF investments.

10. A MIC may distribute income dividends, typically interest from mortgages and revenue from property holdings, as well as capital gain dividends, typically from the disposition of its real estate investments.

11. A MIC's annual financial statements must be audited.

12. A MIC may employ financial leverage by using debt to partially fund assets.