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reinvesting in stocks or other securities; and

(b) At least 50% of its investments consist of income producing securities; and

(c) An amount not less than 90% of its net income from investments (all dividends and interest and other like income) is distributed to its shareholders as taxable dividends or interest not later than two months after the close of each taxable year.

2. Limitations: Despite the provisions of paragraph (1) of this section the income of an investment company shall not be exempted from tax by this section, if, at any time during the taxable year -

(a) More than 10% of the total net assets of the company, on the basis of investments valued at market was invested in the securities of any one issuer, obligations of the Dominion of Canada and the United States Governments excepted; or

(b) It owned more than 10% of the outstanding stock or other securities, or both, of any one corporation."

In the event it is for any reason impossible at this time to consider adding a new section to the Act as above, it is respectfully requested that serious consideration be given at this time to limiting the application of the amendment to the Act provided in paragraph 6. of the present Budget resolution by exempting investment companies from its provision. A suggested draft for this purpose follows:

> ......This section shall not apply to public investment companies not otherwise covered in this Act whose sole business consists of holding, investing or reinvesting in diversified securities and whose policy it is to distribute to its security holders in the form of taxable dividends or interest substantially all of its net income from investments."

While the amount of taxes received by the Government from such companies either on the present basis or on the basis proposed by the new Budget resolution may be comparatively small, it is of course a matter of vital interest to the security holders of such companies, to the companies themselves and to the policy of encouraging investment in Canada.

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