JovFlow-Through JovFunds

TAX ADVANTAGES

Jov Diversified Flow-Through Limited Partnership's

Benefits of Flow-Through For Ontario Corporations

As described in the final prospectus, when the limited partnership renounces CEE or Qualifying CDE to a limited partner, the limited partner will be entitled to add the amount renounced to its "cumulative CEE account". A taxpayer with a balance in its cumulative CEE account can use some or all of this account to reduce its taxable income in a given year. Such an account is similar to a deduction in that it will ultimately reduce the tax bill of the taxpayer, but is actually preferable to a deduction because deductions must generally be claimed right away, whereas the cumulative CEE account is a notional account that can be used to reduce a taxpayer's income when it is most advantageous to do so. An amount can be carried forward in a cumulative CEE account indefinitely and will not disappear when the corporation sells its limited partnership units. Please note that when the limited partnership units or any mutual fund corporation shares received in exchange for the limited partnership units are sold, the corporation will realize a capital gain equal to the sale price of the units or shares, as it may be (less any costs of disposal) because the adjusted cost base for these units or shares will be nil. Half of any such capital gain will be taxable to the corporation and the other half will be added to the corporation's capital dividend account which can be paid out to shareholders, tax free.

For example, a corporation might invest $25,000 in limited partnership units and have $25,000 in CEE renounced to it that year. The corporation would then be entitled to reduce its taxable income by $25,000 in that year or in future years. The actual benefit to the corporation will depend on the applicable tax rate. For corporate income eligible for the small business deduction in Ontario, the combined federal and provincial tax rate for 2008 (ignoring the Ontario clawback) is 16.5% for amounts up to $400,000 and 33.5% for amounts over $400,000.

Further to the example, suppose the corporation earned $425,000 in 2008. As a starting point, its tax bill would be approximately $74,375. However, if it decided to use the entire $25,000 in its cumulative CEE account to reduce its taxable income to $400,000 its tax bill would be $66,000 meaning the $25,000 investment would result in $8,375 in tax savings. Basically the tax benefit will be $3,350 for every $10,000 invested where the corporation's income is over $400,000. Where the corporation's income is less than $400,000, the benefit will be lower.

There are other ways a corporation could reduce its taxable income, such as by paying additional salary to its shareholder-manager(s). Also, there may be negative tax consequences to a corporation holding too many investment assets. In particular, this may be a problem if there is a possibility that an owner-manager might sell his business in the foreseeable future by way of a share sale. Both of these issues should be discussed with the corporation's accountant or tax advisor.

For information and examples relating to other provinces of Canada, please refer to the 'Tax Advantages for Corporations' page at www.jovflowthrough.com.

As with all investment decisions, the decision to invest in a flow-through limited partnership should be based primarily on the merits of the investment rather than on the expected tax benefits.

Distributed By

1111 Melville Street, Suite 550,
Vancouver BC V6E 3V6

Toll-Free: 1.866.688.5750
info@jovflowthrough.com
info@jovfunds.com

26 Wellington Street, Suite 700,
Toronto ON M5E1S2

Please review the final prospectus to the offering in which you are considering. This release shall not constitute an offer to sell or the solicitation of any offer to buy the securities. This release is provided for information purposes only. Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Please read the prospectus before investing. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.