

# TAX ADVANTAGES

## Jov Diversified Flow-Through 2009 Limited Partnership Maximum Issue: \$25,000,000

### 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 in turn 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 2009 (ignoring the Ontario clawback) is 16.5% for income up to \$500,000 and 33% for income over \$500,000.

Further to the example, suppose the corporation earned \$525,000 in 2009. As a starting point, its tax bill would be approximately \$90,750. However, if it decided to use the entire \$25,000 in its cumulative CEE account to reduce its taxable income to \$500,000 its tax bill would be \$82,500 meaning the \$25,000 investment would result in \$8,250 in tax savings. Basically the tax benefit will be \$3,300 for every \$10,000 invested where the corporation's income is over \$500,000. Where the corporation's income is less than \$500,000, 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 amongst other things 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](http://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.

### For Further Information



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*A final Prospectus dated October 29, 2009 relating to these securities has been filed with the securities commissions or similar authorities in each of the provinces and territories of Canada other than Québec. 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. This offering is only made by Prospectus. The Prospectus contains important detailed information about the securities being offered and Investors should read the Prospectus before making an investment decision. Please contact your Investment Advisor or Jov Flow-Through to obtain a copy of the Prospectus. Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Capitalized terms not defined herein have the meanings set forth in the Prospectus.*