

Armstrong

— Financial Services —

Flow Through Transaction

Simplified example of a Flow Through transaction using \$200K

1. What You Do

You buy shares for \$200K and sell them right away for \$93K, losing \$107K.

2. What You Gain

Because of the type of shares you bought and sold, you generate \$133K in tax credits.

3. What Happens

You lose \$107K but gain \$133K you would have otherwise paid in income tax.

That's a \$26K gain, or a 25% after-tax cash-on-cash return on your \$107K.

Two Important Points

How Much to Invest

You can only invest appx 30% of your yearly income in this strategy.

Your Income Type

This only works on salaried income or interest income, i.e. 53% taxable income.



BERTOV

CAPITAL CORPORATION

The Share Initiative

\$200K FT Investment Illustration

Quebec, Individual Participant

Summary

Cash to be Paid for Acquisition of Flow Through Shares	\$	(200,000.62)
Proceeds from Sale to Liquidity Provider	\$	112,335.15
Advisory Fee (Including QST)	\$	(19,373.60)
Net Cash Outlay	\$	(107,039.07)

Cost of FT Investment

Flow Through

Net Tax Benefits from CEE and Tax Credits	\$	141,760.58	Pre-tax equivalent Comparison
Year 1			
Net Return (After-Tax)	\$	34,721.51	\$ 74,358.08
As a Percentage of Net Cash Outlay		32.44%	69.47%
Year 2			
Cumulative Return (After-Tax)	\$	26,454.98	\$ 56,654.85
As a Percentage of Net Cash Outlay		24.72%	52.93%

ANALYSIS

Assumptions		
Federal Tax Rate		27.56%
Provincial Tax Rate		25.75%
Federal Tax Credit		15.00%
Provincial Tax Credit		0.00%

Investment Transaction

		DEDUCTIONS	COST
Acquisition of flow-through shares			(200,000.62)
CEE allocation of	200,000.62		
Proceeds to participant from sale to liquidity provider			112,335.15
Less: advisory fee (including QST)			(19,373.60)
Net cash outlay			(107,039.07)

Flow-Through

		DEDUCTIONS	RETURN
Add: tax benefit of flow-through deduction - federal		55,110.17	
Add: tax benefit of flow-through deduction - provincial		61,800.19	
Subtotal		116,910.36	
Add: non-refundable federal investment tax credit reduced by amount qualifying for provincial credit		30,000.09	
Add: tax benefit of advisory fee		10,327.10	
Less: taxes on capital gain		(15,476.98)	

Returns

In Year 1	Total net tax benefits	141,760.58	
	Net return		34,721.51
In Year 2	Less: income tax on inclusion of federal tax credit	(8,266.53)	
	Cumulative return after year 2		26,454.98