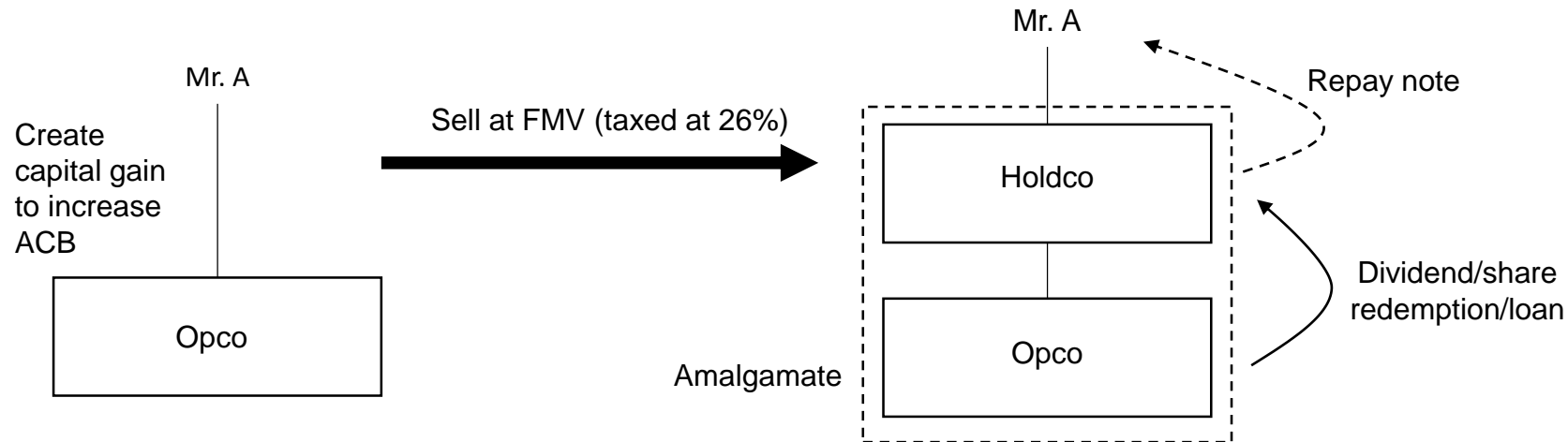


Capital Gains Planning

The July 18th Proposals targeted this type of planning. That portion of the proposals was later dropped.



- Mr. A deliberately triggers gain on Opco shares using s.85 (referred to as an “internal” 85), where Mr. A can elect the amount of proceeds and determine the amount of capital gain.
- Mr. A does not claim capital gains exemption to offset capital gain.
- Mr. A sells Opco shares to Holdco in exchange for promissory note.
- Opco pays dividends to Holdco or shares are redeemed.
- Holdco uses funds to repay promissory note to Mr. A over time (2-5 years).
- Opco remains a separate and distinct entity for at least one year.
- Opco continues to carry on business in the same manner.