



## Algonquin Debt Strategies Fund LP

### Death & Taxes.

The following is a summary of an opinion Algonquin Capital received from our tax advisors. Please note that the assessments are based on information available at the time and do not constitute tax advice. For the particulars of your and your clients' situation, we recommend consulting your personal tax advisor or accountant. Please also note that further information pertaining to the Fund and taxation can be found in the Offering Memorandum.

### Tax Reporting.

On an annual basis, investors (limited partners) of the Algonquin Debt Strategies Fund LP receive a T5013 Statement of Partnership Income.

The entire net return is reported in box 104 - limited partner's business income (loss) on the T5013.

### Business Income.

Based upon a number of factors, including the frequency of trading and portfolio turnover, the Limited Partnership is viewed as being in the business of trading. Accordingly, the return is characterized as business income.

For limited partners that are corporations, 'business income' is taxed at the applicable business tax rate for general income not eligible for the small business deduction (between 25-31% depending on the province).

Active Corporations – the business income falls outside of the passive investment rules and does not impact the small business deduction capacity.

Passive Corporations – the business income is taxed at the applicable business tax rate.

Example.

	Active Business Income	Passive Investment Income
Investment <sup>1</sup>	\$1,000,000	\$1,000,000
Return %	10%	10%
Return \$	\$100,000	\$100,000
Federal Corporate Tax Rate <sup>2</sup>	26.50%	50.00%
Taxes Due	\$26,500	\$50,000
After-Tax Return %	7.35%	5.00%
After-Tax Return \$	\$73,500	\$50,000
Net Cash in Corporation	\$1,073,500	\$1,050,000

Penalty to SBD <sup>3</sup>	\$0	\$250,000
SBD Avail to CCPC <sup>4</sup>	\$500,000	\$250,000

Notes.

1. An investment in Algonquin Debt Strategies Fund LP is the only investment in the corporation.
2. Investor is taxed at the highest marginal federal income tax rate.
3. Small Business Limit is reduced by \$5 for every \$1 of investment income above a \$50,000 threshold. In this example, the investment income exceeds the threshold by \$50,000, therefore, the SBD is reduced by \$250,000 (i.e. 5 x \$50,000).
4. As a Limited Partnership, the LP itself does not pay any income tax; instead the LP's Small Business Limit is allocated to each individual limited partner based upon their proportionate share of the net assets of the LP.

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