

Please read this before you file your tax return

At MD Management Limited, we want the completion of your 2009 tax return to be as stress-free as possible. With tax season under way, we have prepared a brief overview of the tax slips we will be distributing, the investments and income they cover, and the timelines for sending them to you. We have also included answers to the questions we hear most often at tax time.

If you have hired a tax specialist to complete your return, please pass along this information. If you have any questions, please contact your MD Management Limited advisor, or MD Client Services at 1 800 267-2332.

Your 2009 RRSP contribution receipts

These receipts reflect the value of cash or securities that were contributed to your RRSP account for the period from March 2, 2009 to December 31, 2009, and during the first 60 days of 2010. Since MD Management Limited (MDM) converted to a new account management system in June, for this year only, MDM will issue receipts in three phases:

- ▲ one receipt for all contributions made from March 2, 2009 to June 5, 2009;
- ▲ one receipt for all contributions made from June 6, 2009 to December 31, 2009; and
- ▲ two receipts for the first 60 days of 2010—at the end of January and in early March 2010—for contributions made up to and including the contribution deadline of March 1, 2010

Important notes:

For contributions received by MDM after March 1, 2010, a receipt will not be issued for the 2009 tax year; however, for post-March 1, 2010 contributions, a receipt for the 2010 tax year will be issued to you at the beginning of 2011.

Please note that, if a cheque is dated and/or an envelope is postmarked before or on March 1, 2010 but is received by MDM after March 1, 2010, the contribution will not be considered to be within the deadline for 2009 RRSP deduction purposes.

Your registered accounts

Your registered retirement savings plan (RRSP) accounts

If you have withdrawn funds from your RRSP, this amount, other than withdrawals for the purposes of the Home Buyers Plan or Lifelong Learning Plan, must be included in your income. MDM is obligated to withhold the appropriate amount of tax from the withdrawal. If you withdrew RRSP funds in 2009, you will receive one or more of the following tax slips, depending on where you live:

T4RSP	Statement of Registered Retirement Savings Plan Income
Relevé 2	Revenu de retraite et rentes (for residents of Quebec)
NR4	Statement of Amounts Paid or Credited to a Non-Resident of Canada

The T4RSP tax slip (Quebec residents also receive a Relevé 2) reports the amount you withdrew from an RRSP and any income tax withheld. If you are a non-resident of Canada who made withdrawals from an RRSP, you will receive an NR4 tax slip. These slips will be sent to you by the end of February 2010.

Your registered retirement income fund (RRIF) accounts:

RRIFs, locked-in retirement income funds (LRIFs) and life income funds (LIFs) have annual minimum income payment requirements. MDM must withhold the appropriate amount of tax on any amount that exceeds this minimum. Please note that LIFs and LRIFs are governed by the appropriate federal, provincial or territorial pension legislation. This legislation limits the maximum amount that may be withdrawn from an LRIF or LIF in any given year.

If you hold a RRIF, LRIF or LIF with MDM, you will receive one or more of the following tax slips, depending on where you live:

T4RIF	Statement of Income from a Registered Retirement Income Fund
Relevé 2	Revenu de retraite et rentes (for residents of Quebec)
NR4	Statement of Amounts Paid or Credited to a Non-Resident of Canada

The T4RIF tax slip (Quebec residents also receive a Relevé 2) reports the total amount of payments you received from a RRIF, LRIF or LIF and any income tax withheld. If you are a non-resident of Canada who made withdrawals from a RRIF, you will receive an NR4 tax slip. These slips will be sent to you by the end of February 2010.

Your non-registered accounts

T3 tax slips

If, in your account at MDM, you hold an MD mutual fund trust(s) that made distributions in 2009, you will receive one or more of the following tax slips, depending on where you live:

T3	Statement of Trust Income Allocations/ Designations
Relevé 16	Revenu de fiducie (for residents of Quebec)
NR4	Statement of Amounts Paid or Credited to a Non-Resident of Canada

The T3 tax slip (Quebec residents also receive a Relevé 16) reports 2009 income distributions, separated by income category: capital gains, Canadian dividends, foreign income, other income and return of capital. It also includes your share of foreign taxes paid that are eligible for the foreign tax credit. These slips will be sent to you by mid-March 2010.

Distributions from income trusts are reported on separate T3 tax slips when applicable. These will be sent to you by the end of March 2010. In addition, T3 tax slips for non-MD funds held in your account at MDM will be sent separately from the third-party fund companies. These slips will be sent to you in March 2010. MD Growth distributions are reported on a T5 tax slip, not a T3. Please see the information regarding T5 tax slips below.

T5 tax slips

MDM is required to report investment income payments over \$50 on a T5 tax slip.

If you hold investments in a mutual fund corporation, such as MD Growth, you will receive one or more of the following tax slips, depending on where you live:

T5	Statement of Investment Income
Relevé 3	Revenus de placement (for residents of Quebec)
NR4	Statement of Amounts Paid or Credited to a Non-Resident of Canada

The T5 tax slip also includes income earned on any investments in guaranteed term deposits (GTDs), and interest earned on cash held within your account. The MDM T5 tax slip will be sent to you by the end of February 2010. You will receive a separate T5 tax slip to cover income from investments other than MD funds. These slips will be sent to you by the end of February 2010. A T5 tax slip for MD Growth will not be issued, as this fund did not make a distribution in 2009.

Statement of Securities Transactions statement

The Statement of Securities Transactions statement contains all of the information required to report gains and/or losses you have incurred on the disposition of securities.

The 2009 Statement of Securities Transactions will report the proceeds of disposition, adjusted cost base and resulting gains or losses from all mutual fund redemptions and transfers. For your convenience, this statement reports each transaction separately, with totals provided at the bottom. The Statement of Securities Transactions prepared by MDM will be sent to you by the end of February 2010.

Dispositions of MD Stable Income Fund units held in your account will not be reported on a Statement of Securities Transactions. Gains and losses arising on redemption of units of this fund will be reported on the T3 tax slip issued to you.

Frequently Asked Questions

Will I receive a T3 or T5 tax slip from every mutual fund in which I've invested?

MDM will issue the required T3 and T5 tax slips for all MD mutual funds held in non-registered accounts. Interest income in non-registered accounts, including interest on investments in guaranteed term deposits (GTDs) and equity income will be reported on a T5 tax slip from MDM.

If you own non-MD funds in your non-registered MD account, you will receive your tax slips and other regulatory documentation directly from these third-party fund companies.

Why have I received an income trust T3 tax slip and one or more T3 tax slips from MDM?

T3 tax slips from MD funds are prepared in February 2010 and represent income from all applicable mutual funds. Because the income trust information (representing 2009 and January 2010 distributions) is not available until March, it is sent as a separate tax slip.

Why are my income trust distributions not fully taxable?

Often, only a portion of an income trust monthly distribution is taxable. The remaining amount usually represents a return of capital, which is generally not taxable at the time of distribution; however, your adjusted cost base in the units of the fund is reduced by the amount of this return of capital. Upon a future sale of some or all of the units, this will result in either an increased capital gain or a reduced capital loss.

Why am I receiving an NR4 tax slip?

Non-residents of Canada who are earning income in non-registered accounts or making a withdrawal from registered accounts receive an NR4 tax slip.

Certain withdrawals from registered accounts by a non-resident are subject to Canadian non-resident withholding tax. This tax is withheld at the time of the withdrawal and remitted to the Canada Revenue Agency.

Income earned in non-registered accounts is generally subject to Canadian non-resident withholding tax. This tax is withheld at the time the income is earned in the account and remitted to the Canada Revenue Agency. The rate of Canadian non-resident tax withheld varies according to the type of income and the non-resident's country of residence.

What does the "taxable amount of dividends" mean on my T3 tax slip?

The "taxable amounts of dividends" is often referred to as the "grossed up" amounts of dividends.

For eligible dividends, the amount in box 50 represents 145% of the fund's actual eligible dividends received from Canadian public corporations and distributed to unitholders.

For dividends other than eligible dividends, the amount in box 32 represents 125% of the fund's actual ineligible dividends.

An offsetting federal dividend tax credit equal to 18.97% of the respective eligible and 13.33% of the ineligible taxable amounts can be used on your personal T1 tax return to reduce your tax liability.

Most provinces apply a similar dividend tax credit, worth approximately half of the federal tax credit.

If you are a resident of Quebec, you will also receive a corresponding Relevé 16 slip that reports both eligible and ineligible Canadian actual and taxable dividend amounts. For eligible dividends, the tax credit is 11.90% of the taxable amount; for ineligible dividends, 8.00% of the taxable amount.

How are foreign dividends reported on my T3 tax slip?

Dividends received from foreign corporations are not subject to the "gross-up" nor are they eligible for the dividend tax credit. Instead, they are reported as "foreign non-business income" on your T3 tax slip.

What type of income does MD Growth distribute to shareholders?

MD Growth is MD's only mutual fund corporation and is not treated the same way as a mutual fund trust. Income distributed from the fund must be distributed as dividends to its unitholders and reported on a T5 tax slip. During 2009, MD growth made no income distributions.

What is a spousal or common-law partner RRSP?

A spousal or common-law partner RRSP is:

- ▶ any RRSP to which the annuitant's spouse or common-law partner contributed;
- ▶ any RRSP that received payments or transfers of property from RRSPs to which the annuitant's spouse or common-law partner contributed; or
- ▶ any RRSP that received payments or transfers of property from RRIFs to which the annuitant transferred amounts from other spousal or common-law partner RRSPs.

Why are there anti-avoidance rules that apply to a spousal or common-law partner RRSP?

Since a spousal or common-law partner RRSP can be an income-splitting tool, there are anti-avoidance rules limiting this in certain situations. When your spouse or common-law partner makes a withdrawal from a spousal or common-law partner RRSP to which you contributed, this withdrawal, or a portion of it, may be taxable in your hands. The amount

taxable to you is the amount of the withdrawal that represents any spousal or common-law partner RRSP contributions you made in the year of the withdrawal or either of the two preceding years.

This attribution rule does not apply when:

- ▲ you are living separate and apart due to marriage breakdown;
- ▲ the spousal or common-law partner RRSP has been converted to a RRIF and no more than the minimum RRIF payment or regular annuity payment is withdrawn;
- ▲ you and your spouse or common-law partner are non-residents; or
- ▲ your spouse or common-law partner makes withdrawals in the year of your death.

Can my T4RSP Statement of RRSP Income be completed with a “no” for a contributor spouse or common-law partner when it is a spousal or common-law partner RRSP?

Yes. The attribution rules may no longer be applicable to your situation, possibly due to divorce or due to the death of the contributor. If specific requirements are met, the spousal information can be removed from the T4RSP or T4RIF tax slips. Clients should contact their MD Management Limited advisor or MD Client Services at 1 800 267-2332 should they wish to make this change on their tax slips.

Are there other tax slips I may receive, depending on my investments?

Yes. Some clients may receive a T5013(A)/Relevé 15 (Quebec) tax slip regarding investments in a limited partnership, or a T5006 tax slip from a labour-sponsored venture capital fund. These tax slips, along with T3 tax slips for “Listed Trust Units”, will be issued to you once MDM has received the necessary information from the third party. These slips will be issued toward the end of March 2010.

Am I going to receive a tax slip regarding my TFSA account?

No. The TFSA is a tax-free savings account and, generally, you should not receive any tax slips for your investments in this account.

Important information about your 2009 MD Management tax slips

In June 2009, MD Management converted to a new account management system. For this year only, you will receive an additional slip from the old system as outlined below.

Contribution receipts:

Old system	From March 2 to June 5, 2009
New system	From June 6 to December 31, 2009 For the first 60 days of 2010

All tax slips including T4s, T3s, T5s (all Relevés and NR4s):

Old system	From January 1 to June 5, 2009
New system	From June 6 to December 31, 2009

For 2009 only:

T3s issued from the old system consolidate all MD Funds that made distributions in an account on a single slip (except Canadian Real Estate Investment Trust which reports separately).

The new system issues individual T3s for each MD fund that made distributions and bundles them into a single package for each account. Each package is mailed separately.

For more information, visit
md.cma.ca/2009taxslips



Member – Investment Industry Regulatory Organization of Canada

Member – Canadian Investor Protection Fund

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Obtain a copy of the prospectus before investing by calling your MD advisor or the MD Financial TradeCentre at 1 800 267-2332.