

Timing of Taxation for Employee

Upon Employee's Contributions - No tax consequences as the contributions made by the participants are made with after tax employment income.

Upon Acquisition of Shares - As the shares are purchased with after tax money by the participants, taxation will arise at the time the shares are purchased. The discount applied on the purchase price of the shares (5%) based on the Plan is a taxable benefit to the participant upon acquisition of the shares.

Taxable benefit = Fair Market Value - Discounted purchase price

Upon Sale of shares - Upon the sale of the shares, the employee will realize a capital gain or a capital loss.

The capital gain/loss = Sale Proceeds - (Price paid to acquire the share + Taxable benefit at acquisition)

Capital gains/losses are taxable/deductible at 50%

Capital gains are taxed at the Canadian federal and provincial progressive income tax rates.

Income and Social Security Tax Withholding by Employer

Upon Acquisition of Shares –

Income Tax – The withholding obligations arise at the time the shares are acquired. Employer must withhold Canadian and provincial (including Quebec) income taxes on the taxable amount.

Social Security Tax -

Canadian pension plan ("CPP") if the yearly maximum is not already reached.

Quebec pension plan ("QPP") if the yearly maximum is not already reached.

Employment insurance ("EI") is not applicable if there is no cash payment.

Quebec Parental Insurance Plan ("QPIP") is not applicable if there is no cash payment.

Upon Sale of Shares - No withholding required. The employee will pay taxes on the capital gain directly on the Canada federal/Quebec provincial income tax returns.