



June 2009

Dear GLGI Donor,

The Canada Revenue Agency (CRA) has issued reassessments disallowing the tax credit for donations claimed in 2006 and, in some cases, 2007 under the GLGI Donation Program, made to the Millennium Foundation and the International Charity Association Network (ICAN).

As part of GLGI's commitment to donors, we enclose a template of the Notice of Objection with instructions to assist you in preparing and filing your personal Notice of Objection. This sample is meant to be a form of self-help, and not legal advice, to you. For that reason we urge you to consult with your own tax advisor in order to have your personal notice of objection prepared and filed. **Filing the Objection on time is your responsibility.**

What is a Notice of Objection?

A Notice of Objection is filed if you disagree with the reassessment and it sets out the basic facts and reasons why you are disagreeing. The CRA does not require a prescribed form and, if you want to object to the Reassessment, the attached template is sufficient. The Notice of Objection must be filed within a certain period of time (see instructions). If it is filed on time, then the CRA normally cannot start any action to collect the tax and interest owing from the reassessment. There are some exceptions.

Once you have filed your Notice of Objection, the CRA will record it in your CRA file and will send you an acknowledgement that they have received it. The chances are that you will not hear from the CRA again for many months. In the event you do receive any further correspondence from CRA after filing your Notice of Objection, please forward a copy to GLGI immediately and we will assist you in responding.

It can take weeks before the CRA updates its records that you have filed the Notice of Objection and sometimes an agent from the CRA Collections Department will call to ask about payment of the amount due from the reassessment. You can tell them that you have filed a Notice of Objection and can send them a copy.

If the CRA contacts you, please ask them to communicate with you in writing so you have a record of what they want and when they wrote you. You should send GLGI copies of any letters to or from the CRA so we have them in our files.

What Happens Next?

The Notices of Objection will be assigned to an Appeals Officer at one of the CRA's Tax Offices. If GLGI's legal counsel is unable to reach an acceptable conclusion with the Appeals Division, they will attempt to negotiate to put all but a few (or one) of the Reassessments "on hold". Those donors whose reassessments are not on hold will go to the Tax Court of Canada as either representative or test cases (the "Test Cases"). The objective will be for each of the donors and the CRA to agree that the result of the Test Cases will bind all of the Donors. The strategy of employing Test Cases is more efficient and cost effective.

The selection of the Test Cases is an important strategic decision based on a number of factors including the individual's knowledge of the donation program, the credibility of the individual, the ability of the individual to present himself or herself well in a stressful situation and the absence of other complicating factors in the individual's circumstances. This decision must be made in consultation with us and legal counsel.

While the Appeals Division likely will agree to such an arrangement and hold the objections of the non-Test Case donors in abeyance, there can be no guarantee this will occur. If no agreement is reached, it will be necessary for each of the donors who wish to appeal the reassessment to file a Notice of Appeal to the Tax Court of Canada within 90 days of the date of confirmation of the reassessment by the CRA.

Should You Pay the Reassessment?

GLGI has set aside its own money as a defence fund to pay for GLGI's costs of the appeals; for example, GLGI's legal and professional fees, administrative costs and the like. The defence fund is not there to pay for a donor's tax and interest from the CRA Reassessments, court filing fees, or the donor's own advisers.

It is reasonable to expect that it will be several years before a final court decision is obtained, or a voluntary settlement is reached with CRA. GLGI continues to believe that its program will be upheld and its program donors will be successful. However, in the event CRA is ultimately successful in disallowing your donation, non-deductible interest continues to grow on the Reassessment. Paying the Reassessment is not an admission of guilt (filing the Notice of Objection shows that you disagree with the Reassessment) and therefore we strongly recommend that donors pay the disputed amount to avoid further interest charges. The current CRA interest rate on unpaid taxes is 5% (it changes every 3 months depending on the market) and it may be cheaper to borrow from a bank to pay the Reassessment.

Paying the Reassessment is a donor's individual choice based on their own particular financial circumstances.

If the donors are successful and this payment is ultimately refunded, in whole or in part, the CRA will pay interest on the refund (the current rate is 3%). This interest rate is significantly higher than present bank rates on deposits. Interest on the tax refund would be taxable in the year of receipt. Again, this is a highly personal decision and we urge you to consult with your professional advisors.

Going Forward

We will do our best to keep all donors advised of progress with the CRA. If you wish to receive further assistance or communications from GLGI it is important that you provide us with an up to date email address. You may forward your email address to kim@glgi.ca or catesosa@glgi.ca, or you may fax it to 905-947-0800 (Attention Kim Liu or Cate Sosa), or you may phone us at 905-947-4565. You should not expect to receive any further correspondence, communications or assistance from GLGI if you do not provide us with an up-to-date address.

We trust you understand that given the very large number of individual donors involved in the GLGI program over the years, GLGI and its counsel are simply unable to represent donors in their individual circumstances. Our lawyers do not act for individual donors. Should you wish to retain them for individual advice, that is a private matter (and cost) between you and the law firm.

Yours truly,



Rose Yu-Virji
VP, Operations
Global Learning Group, Inc.