

Richard I Sniderman in Trust
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Burlington, Ontario L7N 3N2

July 24, 2006

Dear Donation Program Participant:

**Subject: Canadian Literacy Initiatives; Silver City Trading Corporation and
Initiatives Canada Corporation**

A number of you have asked for information on the disbursements from the Donor Defence Fund of \$500,000 set up for the donation programs provided by the above entities. Enclosed is a summary of the disbursements by this fund (Schedule A).

By way of background, most of you will have realized that CRA's approach to these and other tax-advantaged programs is an extremely aggressive policy. Most donors have received the questionnaires requesting information and documents, a number of intimidating letters, notices of reassessment and collection letter before the notices of objection were processed by CRA. Much of the information requested is irrelevant and virtually all of that information has already been supplied to CRA by one of the above. CRA's requests were not for the purpose of getting information, but were for the purpose of upsetting donors. The publicly stated intention of CRA by this conduct was to disturb donors and to deplete the "fighting funds" of this and other similar programs.

My enquiries of other similar programs determined that having lawyers deal with donors on these administrative matters was uneconomic since the law firms were charging from \$100 per hour (secretarial time) to \$400 per hour (junior lawyers) to answer your written and telephone enquiries. Initially I hired staff to deal with these matters, but found it more economic to "outsource" this function to PAC which was set up for the purpose of servicing the needs of these and other tax-advantaged programs. I personally have no financial interest, direct or indirect in PAC and the fees paid to them are the result of very hard bargaining on both sides. They handled over 4,000 telephone calls, drafted over 3,000 responses to CRA letters and assisted taxpayers in filling over 3,000 notices of objection over the past two years, as well as having numerous meetings with CRA

in an attempt to cut down on CRA's communications to donors. I estimate that dealing solely with these purely administrative matters, a legal firm would have exhausted the defence fund.

The significant portion of the defence fund was spent on supporting a challenge by the charity, All Saints Greek Orthodox Church ("ASGOC"), against CRA's conduct in obtaining information about donors. I made this decision after consulting with a number of legal and other advisors. Their and my reasoning for this decision is set out below.

As you know, CRA's aggressive conduct has in some circumstances crossed the line. An example of this conduct was the way CRA obtained a list of donors from ASGOC through deception. The precedent is well established in Canadian courts to disallow and throw out illegally obtained evidence. This is an important legal principal – the use of illegally obtained evidence never justifies the end result, since the investigating authority must honour the law. The application of this principle is relatively new in the area of tax matters – basically because, until recently, CRA rarely behaved in an improper fashion.

For procedural reasons, the challenge to CRA's conduct by ASGOC had to be made starting in January 2006, or CRA's deception would have gone unchallenged. As noted, after consulting with many professionals I decided that this represented an opportunity to reign in CRA and hold them accountable for their inappropriate actions. Given CRA's conduct on this and other matters, it was clear to me that if we did not take action, CRA would stretch the process of a direct challenge out as long as possible, exhausting our time, patience and funds long before trial. So ASGOC launched their challenge, supported by the defence fund. We have been partially successful. The trial judge barred CRA from using the name of any donor obtained from the charity prior to March 27, 2006. CRA has appealed this decision and ASGOC has cross-appealed to delete the names of all donors, whenever obtained by CRA. Counsel feels that we have a reasonable chance of success of preventing CRA from using any illegally obtained names.

The balance of the money was spent on various strategic and legal consultations and on dealing with your queries and concerns.

I realize that not all of you may agree with my decisions, but they were taken in good faith and after consultation with knowledgeable legal experts.

I trust the foregoing was informative and will help you to reach the conclusion to continue supporting the fight against CRA by contributing to the defence fund as requested in the Initial Call for Capital letter that you recently received.

Yours very truly,

A handwritten signature in cursive script, appearing to read "R. Sniderman".

Richard Sniderman, CA

Schedule A

\$

Legal Fees – ASGOC (includes A/P of \$35,000)	215,000
Legal Fees – other	46,000
Administration – initial	110,000
Administration Fees – PAC (includes A/P of \$34,000)	204,000
Bank Charges	<u>1,000</u>
	576,000
GST Recoverable	(37,000)
Interest Earned	(32,000)
	<u>507,000</u>

All figures rounded to nearest thousand.